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# BEGROTING 2016/17

2016/17 TO 2018/19

MEDIUM TERMYN

INKOMSTE EN UITGAWE  
VOORUITSKATTINGS

April 2016

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## AFDELING 1 – JAARLIKSE BEGROTING

### 1.1 BURGEMEESTERSVERSLAG

#### Raadslede, Amptenare, Dames en Here

Die opstel van die begroting begin soos in terme van artikel 21(1)(b) van die MFMA no 56 van 2003 reeds tien maande voor die aanvang van die finansiële jaar waarop die begroting van toepassing gaan wees. Dit is 'n uiters belangrike aangeleentheid wat die aandag van al die raadslede, amptenare, maar veral die inwoners van Karoo Hoogland, vereis. Dit is ook belangrik aangesien daar aan wetgewing en voorskrifte soos deur die Nasionale Tesourie voldoen moet word.

Die Munisipaliteit het veral die afgelope maande verskeie begrotings en GOP gemeenskaps vergaderings gehou op elke dorp in Karoo-Hoogland. In sommige dorpe was die opkoms redelik maar oor die algemeen ietwat teleurstellend. Alle Raadslede het waar moontlik die vergaderings bygewoon en die insette van die gemeenskappe was dan oorweeg vir insluiting in die begroting en GOP.

Die begroting wat aan u voorgelê word is opgestel met inagneming van die volgende wetgewing en omsendbriewe:

MFMA no 56 van 2003

Begrotingsomsendbriewe no 78,79 en 82

Alle vorige omsendbriewe van Nasionale Tesourie wat op die begroting van toepassing is

NERSA se omsendbriewe en voorgestelde tarief verhogings

SALGA omsendbriewe met betrekking tot die koste van amptenare en raadslede

DORA ( Vervat die inkomste toekennings aan Munisipaliteite)

En ander minder belangrike wetgewing

Ek wil elkeen verseker dat die begroting 'n resultaat van baie ure se sorgvuldige oorweging, toegepaste kennis, versigtige beplanning maar veral ook baie harde werk was. Soos in die verlede is die begroting die resultaat van die gekombineerde vaardighede van die Raad en Amptenare, met die uitsluitlike doel om binne die finansiële raamwerk van die Munisipaliteit in te pas.

Die ekonomiese agtergrond waarteen die begroting opgestel is om die minste te sê uiters onseker. Daar is duidelike tekens dat die ekonomie agteruitgegaan het sedert die vorige begroting en oral oor is besighede aan die kwyn met die gevolg dat werksgeleenthede drasties afgeneem het. Dit blyk ook duidelik uit die ongenoegsame krag voorsiening van Eskom aan Munisipaliteite en ander verbruikers wat die produktiewiteit van die werkers korps lam lê. Die bruto binnelandse produk van Suid-Afrika is laer ge-hersien en dit blyk ook dat hierdie tendens gaan voort duur vir die komende nabye toekoms. Die verslapping in die ekonomiese groei vanaf 2012 het uiteraard groter stremminge geplaas op die binnelandse ekonomie wat dan die lewensgehalte van die meeste Suid-Afrikaners negatief beïnvloed het.

Raadslede, soos in die vorige jaar se verslag, moet ek egter by herhaling u aandag daarop vestig dat *bekostigbaarheid* steeds die deurslaggewende faktor is wanneer projekte aanvaar of agterweë gelaat word.

Die werklike behoeftes van die gemeenskappe is egter andermaal met empatie, toewyding en omsigtigheid benader, want dames en here, hierdie Raad gee om vir sy inwoners en gemeenskappe. Desnieteenstaande, bly groot agterstande en wyd uiteenlopende behoeftes, weens 'n gebrek aan die nodige finansies, steeds die realiteit en vir ons 'n enorme knelpunt en 'n voortdurende uitdaging.

#### GEINTREGREERDE ONTWIKKELINGS PLAN (GOP)

##### **GOP Oorsig:**

Die GOP en begroting van die Munisipaliteit soos aan u voorgelê loop hand aan hand. In die geval van Karoo Hoogland ondervind die munisipaliteit in sommige gevalle, uiterste armoede en die onvermoë van verbruikers om vir basiese dienste te kan betaal. Dit is 'n realiteit waarmee die Munisipaliteit moet saam leef maar terselfertyd ook sy mandaat as diensleweraar aan die gemeenskappe moet handhaaf.

Die finansiële posisie van die Munisipaliteit laat ook egter nie toe dat projekte uit eie fondse gefinansier kan word nie en daarom kan daar nie altyd in die behoeftes van die gemeenskappe voldoen word nie. Om die rede is die GOP gedeeltelik gefinansier uit die Raad se eie fondse.

Projekte sal dus net uitgevoer kan word indien eksterne fondse bekom kan word om sulke projekte te finansier. Die kapitaal projekte word dus hoofsaaklik uit infrastruktuur toekennings van die Regering gefinansier.

Raadslede, dames en here, die GOP dui rigting aan waarna die Munisipaliteit oppad is. Dit is die plig van elke amptenaar en raadslid om toe te sien dat die GOP ter uitvoering gebring word om ons gemeenskappe te bevorder en die kwaliteit van die lewensgehalte van ons mense op te hef. Dit is dan ook die rede waarom hierdie dokument ten minste jaarliks hersien en aangepas word om te verseker dat die Munisipaliteit in die veranderde behoeftes van sy mense te kan voorsien.

#### KAPITAAL BEGROTING

Almal teenwoordig, soos reeds genoem, weens die finansiële posisie van Karoo Hoogland Munisipaliteit was dit weereens onmoontlik om enige projekte deur middel van interne fondse te finansier. Karoo Hoogland is aangewese op regerings toekennings vir projekte. en in die lig is fondse goedgekeur. Die projekte is reeds by die MIG kantore geregistreer en behels die aansluiting van 15 nuwe “hop huise” in Fraserburg en gedeeltelike opgradering van die netwerk ter waarde van R1.6 Mil. Dit behels ook verder die opgradering van sport fasiliteite te Sutherland ter waarde van R 1 161 600 en die Sutherlandse grootmaat water netwerk ter waarde van R 6.58 Mil.

Dit is egter ook kommerwekkend dat ingevolge Omsendbrief 75 van Nasionale Tesourie wat dit omonwonde stel dat die infrastruktuur regerings toekennings oor die volgende jare gaan verlangsaam en daarom sal die munisipaliteite meer uit eie fondse in die toekoms tot kapitale ontwikkeling moet bydra. Dit reflekteer dan ook so in die begrote toekenning wat in 2014/2015 R10.49 Mil was in ooreenstemming met 2015/2016 van R 8.005 Mil in vergelyking met R7. 744 Mil in 2016/2017.

**BEDRYFSBEGROTING****Oorsig en tariewe:**

Waar daar in die verlede geweldige druk op die begroting was, kon die Raad vanjaar daarin slaag om 'n begroting daar te stel wat self finansierend is. Dit word weerspieel in die A1 skedules en spesifiek die "SA10" skedule. Die ommeswaai is te wyte aan die drastiese inperking van uitgawes veral in die salarisse komponent in die huidige begroting. Dit is verder belangrik dat die begroting wanneer geïmplementeer dan op 'n daaglikse basis gemonitor moet word om oor-besteding te voorkom. Aan die inkomste kant van die begroting moet amptenare die goedgekeurde beleid effektief en konsekwent toepas om te verseker dat die begrote inkomste wel realiseer. Raadslede moet die verbruikers aanmoedig om vir dienste te betaal en daadwerklike pogings aanwend om te verseker dat die deernis verbruikers wel by die kantore registreer sodat die subsidies dan teen die rekeninge van die "klas" verbruiker gekrediteer kan word.

Die bedryfsbegroting word weereens, soos in vorige jare, onder hoë druk geplaas as gevolg van die skerp verhoging in elektrisiteits tariewe. Die Reguleerder (NERSA) het 'n tariefverhoging van 7.86% goedgekeur vir ESKOM. Verder het NERSA 'n 7.64 % verhoging goedgekeur wat Munisipaliteite aan verbruikers mag deurgee. Daar moet melding gemaak word dat hierdie besluit 'n ommeswaai was van tariefverhogings van etlike vorige jare waar Munisipaliteite aan die kortste end moes trek omdat die tarief verhogings van Elektrisiteits aankope baie hoër was as wat die Munisipaliteit geregtig was om aan die verbruiker deur te gee.

Met die implementering van die nuwe verslagdoenings formaat, moet Munisipaliteite nou ook voorsiening maak vir waardevermindering in sy uitgawe begroting. Hierdie bedrag beloop vir die begroting onder oorsig, meer as R15 Mil wat bykans die helfte van die bedryfsbegroting is.

Uiteraard sal so 'n meegaande tariefverhoging onbekostigbaar vir die verbruiker wees.

Aangesien Omsendbrief 72 van Nasionale Tesourie 'n Munisipaliteit verbied om vir 'n tekort te

begroot kan die werklike uitgawe aan waardevermindering nie in die begroting ingesluit word nie.

Met inagneming van die bogenoemde, kon die Raad daarin slaag om die gemiddelde styging tot slegs 7.6.% te beperk. Tariefverhogings sal as volg wees:

<b>Tariefverhogings</b>	
Elektrisiteit	7.64%
Water	7.6%
Riool	7.6%
Vullis	7.6%
Belasting	7.6%

#### **Inkomste:**

Die totale begrote bedryfs inkomste is R 51.7 Miljoen en die hoof inkomste bronne word in dievolgende tabel weerspieel.

<b>Inkomste</b>	<b>Totaal</b>
Erf Belasting	6,302,000
Elektrisiteit	11,113,600
Water	3,480,000
Sanitasie	3,773,000
Vullisverwydering	



BEGROTING 2016/17	
	2,962,000
Ander	2,817,900
Interowerheidstoekenning	21,246,000
<b>Totaal</b>	<b>51,694,500</b>

#### **Uitgawes:**

Die begrote bedryfsuitgawes beloop R 51.6 Mil en is per kategorie vervat in die volgende tabel.

<b>Uitgawes</b>	<b>Totaal</b>
Salarisse	18,715,600
Raadslede vergoeding	2,400,000
Slegte skuld	2,514,200
Waardevermindering	400,000
Grootmaak Aankope	8,405,000
Kontrakteurs dienste	1,184,800
Ander	18,015,800
<b>Totaal</b>	<b>51,635,400</b>

Die Munisipaliteit begroot dus vir 'n surplus van R 59 100 vir die 2016/2017 finansiële jaar as die totale uitgawes afgetrek word van die totale inkomste in die bedryfsbegroting.

**Besoldiging:**

Die salaris verhogings vir amptenare beloop 6% ingevolge die omsendskrywe van SALGA.

**Instandhouding:**

Instandhouding van die Raad se bates het in die verlede nie genoegsame aandag geniet nie en dit is egter met die begroting dieselfde geval. Minder as 4 % van die begroting was hiervoor begroot in die 2014/2015 bedryfsbegroting. Hierdie jaar word minder begroot as gevolg van die vloot voertuie wat die Raad gaan aankoop wat die onderhoud op voertuie drasties laat afneem..Ons het egter nog 'n pad om te stap om by die voorgestelde norm van 7-8% uit te kom. Ten einde te verseker dat die bates nie verder agteruitgaan nie, sal drastiese aanpassings in die volgende paar jare gemaak moet word.

**Wanbetaling:**

Die grootste enkele uitdaging wat voor die Raad lê is die stand van wanbetaling. Die swak betalings tendens kan aan verskeie faktore te wyte wees soos byvoorbeeld die swak ekonomiese groei van die land wat werkskepping strem wat dan die vermoë van verbruikers om te betaal, demp. Dit help egter nie om vingers te wys nie, maar die Raad en Administrasie moet hul eenparig verbind tot verskerpte optrede en toesien dat die kredietbeheer beleid streng uitgevoer word. Indien die beplande 83% betaling nie behaal word nie, sal die Raad uitgawes moet sny om te verseker dat die spandering binne die totale bedryfsbegroting is.

**Gelyke Aandeel Ontvangste:**

Die bedrae ontvangbaar van die Nasionale Regering met betrekking tot die bedryfsbegroting is R 21.2 Mil en is hoofsaaklik ten doel om verligting te bring vir die armste van die armste inwoners van ons gemeenskappe. 'n Beroep word gedoen op die publiek om te registreer vir hierdie subsidie wat die kwalifiserende huishoudings as 'n krediet teen hul dienste rekeninge sal

ontvang. Die volgende tabel weerspieël 'n gedetailleerde uiteensetting van die toekenningsoos per die DORA.

Toekenning	Totaal
MSIG	0,
FMG	1,825,000
Gelykberegtiging toekenning	16,678,000
EPWP	1,000,000
Biblioteek toekenning	1,743,000

<b>Totaal</b>	<b>21,246,000</b>
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Die toekenning van R 7 744 000 wat van die Regering ontvang word vir kapitale ontwikkeling word ook in die DORA aangetoon, maar vorm deel van die kapitale begroting soos reeds bespreek. Dit is dan ook van toepassing op die INEP fondse ter waarde van R 1 600 000.

#### **Subsidies vir Deernis Verbruikers:**

Alle verbruikers wat kwalifiseer in terme van die deernis beleid van die Raad moet aangemoedig word om te registreer sadat hul die volgende subsidies kan ontvang:

Elektrisiteit	50 KWh per maand
Water	6 Kl gratis per maand
Sanitasie	100% gratis
Vullis	100% gratis

## SLOTSOM

Die doel van hierdie begroting was om 'n begroting daar te stel wat haalbaar was. Dit dien geen doel om 'n begroting op te stel in die hoop dat dit aanvaarbaar vir die gemeenskap is maar welwetend dat dit kwalik sal realiseer. Sodoende is slegs projekte waarvoor fondse reeds beskikbaar is voor begroot. Inkomste en uitgawes is so saamgestel dat dit realistiese verwagtings kan skep. Daar is egter ook sekere doelwitte gestel wat nagejaag moet word en waarvoor streng kontrole gehou sal word.

In die toekoms sal ook net dienste gelewer word deur die Munisipaliteit wat as deel van sy mandaat geag word en tot voordeel van die gemeenskap is.

Aan die Munisipale Bestuurder en sy personeel, baie dankie vir u bydrae en alle sterkte met die implimentering en uitvoering van hierdie begroting. Die sukses sal afhang van u pligsgetroue optrede.

Aan die publiek hier teenwoordig, baie dankie vir u belangstelling en deelname. Daar is vir elkeen in die gemeenskap iets om na uit te sien in die komende jaar.

## 1.2 RAADSBESLUIT

See extract of Minutes of Council Meeting

## KAPITAAL BEGROTING

Weens die finansiële posisie van Karoo Hoogland Munisipaliteit was dit weereens onmoontlik om enige kapitaal projekte deur middel van interne fondse te finansier. Karoo Hoogland is aangewese op skenkings vir projekte en in die lig is fondse vir slegs 'n paar projekte bekom.

## BEDRYFSBEGROTING

Die groot onsekerheid in die samestelling in die begroting is die verhoging in brandstof pryse asook die inflasiekoers. Die goedgekeurde elektrisiteitstariefverhoging wat aan ESKOM toegestaan is, het ook 'n groot invloed op die begroting en wil blyk of dit deel van ons lewe gaan wees vir die volgende paar jare.



Die styging in die uitgawebegroting plaas groot druk op die tariewe wat gehef moet word.

Die verliese wat gelei word as gevolg van die misbruik van water het die Raad genoodsaak om na alternatiewe metingsinstrumente te kyk. Die Raad is tans besig om vooruitbetaalde watermeters te ondersoek en is daar reeds met 'n proeflopie in die verband begin.

The following budget principles and guidelines directly informed the compilation of the 2016 / 2017 MTREF:

- The 2015/16 Budget priorities and targets, as well as the base line allocations contained in the Budget were adopted as the upper limits for the new baselines for the 2016 / 2017 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- That service tariff increases be limited to 7.6%

### 1.3 OPERATING REVENUE FRAMEWORK

For Karoo Hoogland Municipality to continue improving the quality of services provided to its citizens, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the KHM and continued economic development;
- Efficient revenue management, which aims to ensure a 90 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the KHM.

The following table is a summary of the 2016 / 2017 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

NC066 Karoo Hoogland - Table A4 Budgeted Financial Performance (revenue and expenditure)

NC000 Karoo Hoofstad - Table A4 Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	4,181	4,303	4,563	5,950	5,950	5,857	–	6,302	6,693	7,088
Property rates - penalties & collection charges		254	262	217	–	–	232		249	265	280
Service charges - electricity revenue	2	6,657	7,000	7,777	9,250	9,250	10,159	–	11,114	11,821	12,517
Service charges - water revenue	2	1,898	2,021	2,076	2,900	2,900	3,234	–	3,480	3,696	3,914
Service charges - sanitation revenue	2	1,790	1,606	1,978	3,308	3,308	3,506	–	3,773	4,007	4,243
Service charges - refuse revenue	2	1,336	1,480	1,642	2,780	2,780	2,573	–	2,962	3,145	3,331
Service charges - other		–	–	–	8	8	8		12	12	13
Rental of facilities and equipment		712	695	689	497	497	497		507	536	568
Interest earned - external investments		37	146	197	215	215	215		231	242	257
Interest earned - outstanding debtors		409	526	915	948	948	948		856	862	912
Dividends received		–	–	–	–	–	–		–	–	–
Fines		5	6	6	5	5	5		5	5	5
Licences and permits		81	79	–	20	20	20		24	25	27
Agency services		223	221	217	243	243	243		261	280	297
Transfers recognised - operational		15,973	17,510	18,496	21,255	21,255	21,255	✓	21,246	21,727	24,218
Other revenue	2	688	295	807	545	545	418	✓	523	562	594
Gains on disposal of PPE		–	235	–	50	50	50		150	–	–
Total Revenue (excluding capital transfers and contributions)		34,242	36,384	39,580	47,974	47,974	49,220	–	51,695	53,878	58,264



**Table 2 Operating Transfers and Grant Receipts**

NC066 Karoo Hoogland - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		-	16,438	17,403	19,542	19,542	19,542	19,503	19,876	22,258
Local Government Equitable Share			13,898	14,669	15,812	15,812	15,812	16,678	17,976	19,342
Finance Management			1,650	1,800	1,800	1,800	1,800	1,825	1,900	2,155
Municipal Systems Improvement			890	934	930	930	930	-	-	761
EPWP Incentive					1,000	1,000	1,000	1,000	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	715	1,713	1,713	1,713	1,743	1,851	1,960
Library Grant				715	1,713	1,713	1,713	1,743	1,851	1,960
District Municipality: [insert description]		-	-	-	-	-	-	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	5	-	16,438	18,118	21,255	21,255	21,255	21,246	21,727	24,218
<b>Capital Transfers and Grants</b>										
National Government:		-	11,805	10,490	8,005	10,005	10,005	7,744	24,167	34,942
Municipal Infrastructure Grant (MIG)			10,805	8,890	8,005	8,005	8,005	7,744	8,167	8,363
Municipal Infrastructure Grant (MIG)			1,000	1,000						
Regional Bulk Infrastructure				600		2,000	2,000		16,000	26,579
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	1,600	-	-
INEP								1,600	-	-
District Municipality: Pula Nala		-	-	-	-	1,000	1,000	-	-	-
Other grant providers: [insert description]		-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	5	-	11,805	10,490	8,005	11,005	11,005	9,344	24,167	34,942
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	28,243	28,608	29,260	32,260	32,260	30,590	45,894	59,160

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the KHM.

The percentage increase Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the KHM. Discounting the impact of these price increases in lower consumer tariffs will erode the KHM's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the KHM is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the KHM has undertaken the tariff setting process relating to service charges as follows.

### 1.3.1 PROPOSED TARIFFS

The proposed tariffs are per the tariff structure of KHM.

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;

- The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rateable properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

### 1.3.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective.

Better maintenance of infrastructure and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

The tariff structure of the 2016 / 2017 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption at a higher rate.

### 1.3.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 7.86 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2016.

Considering the Eskom increases, the consumer tariff had to be increased by 7.64 per cent to offset the additional bulk purchase cost from 1 July 2016. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2016. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The KHM has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the KHM. Until the discussions are concluded, the KHM will maintain the current structure of its electricity tariffs.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the KHM. Most of the suburbs and inner KHM reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Fraserburg electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R15 million over five years will be necessary to steer the KHM out of this predicament.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

#### **1.3.4 Sanitation and Impact of Tariff Increases**

A tariff increase of 7.6 percent for sanitation from 1 July 2016 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 5 per cent of waste water treatment input costs, therefore the higher than CPI is actually needed as an increase for sanitation tariffs.

#### **1.3.5 Waste Removal and Impact of Tariff Increases**

A 7.6 percent increase in the waste removal tariff is proposed from 1 July 2016. This is due to the above inflation rate increase in fuel costs.

### **1.3.6 Overall impact of tariff increases on households**

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills will be 7.6 per cent.

**Table 3 MBRR Table SA14 – Household bill**

NC066 Karoo Hoogland - Supporting Table SA14 Household bills

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17 % incr.	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
Rates and services charges:											
Property rates			561.01	594.67	630.77	630.77	630.77	7.6%	678.71	720.79	763.31
Electricity: Basic levy					–	–	–	7.6%			
Electricity: Consumption			1,440.00	1,546.42	1,720.00	1,720.00	1,720.00	7.6%	1,851.41	1,966.20	2,082.20
Water: Basic levy			55.00	60.50	64.14	64.14	64.14	7.6%	69.01	73.29	77.62
Water: Consumption			131.61	144.77	160.71	160.71	160.71	7.6%	172.92	183.65	194.48
Sanitation			90.00	96.30	102.82	102.82	102.82	7.6%	110.63	117.49	124.43
Refuse removal			85.59	91.58	95.40	95.40	95.40	7.6%	102.65	109.01	115.45
Other								7.6%			
sub-total		–	2,363.21	2,534.24	2,773.84	2,773.84	2,773.84	7.6%	2,985.34	3,170.43	3,357.49
VAT on Services							300.03	14.0%	327.17	347.45	367.95
Total large household bill:		–	2,363.21	2,534.24	2,773.84	2,773.84	3,073.87	19.4%	3,312.51	3,517.88	3,725.44
% increase/-decrease			–	7.2%	9.5%	–	10.8%		7.8%	6.2%	5.9%
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
Rates and services charges:											
Property rates			397.21	421.04	446.60	446.60	446.60	7.6%	480.54	510.34	540.44
Electricity: Basic levy					–	–	–	7.6%			
Electricity: Consumption			720.00	733.21	860.00	860.00	860.00	7.6%	925.70	983.10	1,041.10
Water: Basic levy			55.00	60.50	64.14	64.14	64.14	7.6%	69.01	73.29	77.62
Water: Consumption			109.11	120.02	131.36	131.36	131.36	7.6%	141.34	150.11	158.96
Sanitation			90.00	96.30	102.08	102.08	102.08	7.6%	109.84	116.65	123.53
Refuse removal			85.59	91.58	95.40	95.40	95.40	7.6%	102.65	109.01	115.45
Other								7.6%			
sub-total		–	1,456.91	1,522.65	1,699.58	1,699.58	1,699.58	7.6%	1,829.09	1,942.50	2,057.10
VAT on Services							175.42	14.0%	190.92	202.75	214.72
Total small household bill:		–	1,456.91	1,522.65	1,699.58	1,699.58	1,875.00	18.9%	2,020.01	2,145.25	2,271.82
% increase/-decrease			–	4.5%	11.6%	–	10.3%		7.7%	6.2%	5.9%
<b>Monthly Account for Household - 'Indigent Household receiving free basic services'</b>	3										
Rates and services charges:											
Property rates					248.62	248.62	248.62	7.6%	267.52	284.10	300.86
Electricity: Basic levy					–	–	–	7.6%			
Electricity: Consumption					363.00	363.00	363.00	7.6%	390.73	414.96	439.44
Water: Basic levy					–	–	–	7.6%			
Water: Consumption					77.41	77.41	77.41	7.6%	83.29	88.46	93.68
Sanitation					–	–	–	7.6%			
Refuse removal					–	–	–	7.6%			
Other					–	–	–	7.6%			
sub-total		–	–	–	689.03	689.03	689.03	7.6%	741.54	787.52	833.98
VAT on Services							61.66	14.0%	67.26	71.43	75.64
Total small household bill:		–	–	–	689.03	689.03	750.69	17.4%	808.80	858.95	909.62
% increase/-decrease			–	–	–	–	8.9%		7.7%	6.2%	5.9%

## 1.4 OPERATING EXPENDITURE FRAMEWORK

The KHM's expenditure framework for the 2016 / 2017 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to sanitation and streets.

- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016 / 2017 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by standard classification item

Expenditure By Type											
Employee related costs	2	18,292	17,141	17,132	17,352	17,252	15,919	–	18,716	19,885	21,095
Remuneration of councillors		1,640	1,691	1,906	2,085	2,185	2,175		2,400	2,550	2,700
Debt impairment	3	1,275	121	1,532	2,340	2,340	2,437		2,514	2,695	3,078
Depreciation & asset impairment	2	14,444	10,803	11,269	599	599	599	–	400	425	450
Finance charges		524	1,753	2,040	305	305	347		776	753	730
Bulk purchases	2	5,085	6,542	6,488	7,615	7,615	7,292	–	8,405	8,927	9,171
Other materials	8	1,604	772	–	2,028	2,028	–		–	–	–
Contracted services		–	–	–	1,950	1,950	1,804	–	1,185	1,259	1,336
Transfers and grants		4,201	6,227	3,076	5,195	5,195	4,214	–	4,556	4,840	5,128
Other expenditure	4, 5	4,198	2,728	11,255	8,455	8,455	9,894	–	12,684	12,492	13,961
Loss on disposal of PPE		–	–	1,444	–	–	–		–	–	–
<b>Total Expenditure</b>		<b>51,263</b>	<b>47,778</b>	<b>56,142</b>	<b>47,924</b>	<b>47,924</b>	<b>44,680</b>	<b>–</b>	<b>51,635</b>	<b>53,825</b>	<b>57,648</b>
<b>Surplus/(Deficit)</b>		<b>(17,020)</b>	<b>(11,394)</b>	<b>(16,562)</b>	<b>50</b>	<b>50</b>	<b>4,539</b>	<b>–</b>	<b>59</b>	<b>53</b>	<b>616</b>
Transfers recognised - capital		15,699	11,494	11,973	–	11,005	11,005		9,344	24,167	34,942
Contributions recognised - capital	6	–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(1,321)</b>	<b>100</b>	<b>(4,589)</b>	<b>50</b>	<b>11,055</b>	<b>15,544</b>	<b>–</b>	<b>9,403</b>	<b>24,220</b>	<b>35,558</b>

**BEGROTING 2016/17**

NC066 Karoo Hoogland - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard											
Governance and administration			29,368	26,139	37,265	12,643	12,643	12,727	12,416	13,159	14,854
Executive and council			5,519	4,916	14,918	1,528	1,528	1,606	1,686	1,771	1,860
Budget and treasury office			23,843	21,224	22,348	9,257	9,257	10,728	10,408	11,047	12,633
Corporate services			7	-	-	1,858	1,858	392	322	342	362
Community and public safety			633	627	607	2,089	2,089	2,103	3,281	3,473	10,354
Community and social services			612	607	607	2,061	2,061	2,086	2,095	2,222	2,353
Sport and recreation			21	20	-	28	28	17	1,186	1,252	8,001
Public safety			-	-	-	-	-	-	-	-	-
Housing			-	-	-	-	-	-	-	-	-
Health			-	-	-	-	-	-	-	-	-
Economic and environmental services			1	-	-	1,011	6,122	6,122	1,161	12	13
Planning and development			1	-	-	-	-	-	-	-	-
Road transport			-	-	-	1,011	6,122	6,122	1,161	12	13
Environmental protection			-	-	-	-	-	-	-	-	-
Trading services			19,939	21,112	13,680	32,232	38,126	39,273	44,181	61,400	67,985
Electricity			8,406	8,942	7,901	12,230	12,230	12,986	15,494	14,823	15,752
Water			4,415	4,761	2,098	6,289	12,183	12,503	13,892	30,724	35,285
Waste water management			5,783	3,831	1,998	7,159	7,159	7,427	7,799	8,353	8,926
Waste management			1,336	3,578	1,684	6,554	6,554	6,357	6,997	7,500	8,022
Other		4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard		2	49,941	47,878	51,553	47,974	58,979	60,225	61,039	78,045	93,206
Expenditure - Standard											
Governance and administration			21,882	16,681	28,742	18,451	18,451	18,089	21,050	22,469	24,586
Executive and council			4,664	2,191	12,291	8,146	8,246	7,107	8,811	9,246	9,731
Budget and treasury office			17,187	10,640	16,450	9,257	9,157	10,972	12,189	13,170	14,798
Corporate services			31	3,850	-	1,049	1,049	10	50	53	56
Community and public safety			1,975	2,258	1,721	3,032	3,032	2,627	2,963	3,146	3,332
Community and social services			479	838	1,411	2,102	2,102	1,786	2,136	2,267	2,403
Sport and recreation			1,485	1,376	310	930	930	841	827	879	929
Public safety			-	-	-	-	-	-	-	-	-
Housing			-	-	-	-	-	-	-	-	-
Health			10	44	-	-	-	-	-	-	-
Economic and environmental services			12,643	7,731	6,199	3,038	3,038	2,650	3,169	2,294	2,423
Planning and development			114	152	-	-	-	-	-	-	-
Road transport			12,529	7,579	6,199	3,038	3,038	2,650	3,169	2,294	2,423
Environmental protection			-	-	-	-	-	-	-	-	-
Trading services			14,763	21,108	19,481	23,403	23,403	21,315	24,453	25,916	27,307
Electricity			6,686	10,371	8,439	11,802	11,802	10,320	11,688	12,398	12,934
Water			3,752	5,102	4,162	3,331	3,331	3,281	3,782	4,018	4,254
Waste water management			1,512	5,181	2,803	4,831	4,832	4,465	5,303	5,608	5,916
Waste management			2,813	453	4,077	3,438	3,438	3,248	3,681	3,893	4,203
Other		4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard		3	51,263	47,778	56,142	47,924	47,924	44,680	51,635	53,825	57,648
Surplus/(Deficit) for the year			(1,321)	100	(4,589)	50	11,055	15,544	9,403	24,220	35,558

The budgeted allocation for employee related costs for the 2016/ 2017 financial year totals R 18.7million, which equals 36 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2016 / 2017 financial year. An annual increase of 7.2 and 6.9 per cent has been included in the two outer years of the MTREF as per Circular 79.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has not yet been taken into account in compiling the KHM's budget.

The provision of debt impairment was determined based on an annual collection rate of 83 per cent and the Debt Write-off Policy of the KHM. For the 2016 / 2017 financial year this amount equates to R2.5 million and escalates to R2.7 million by 2017/18. While this expenditure is



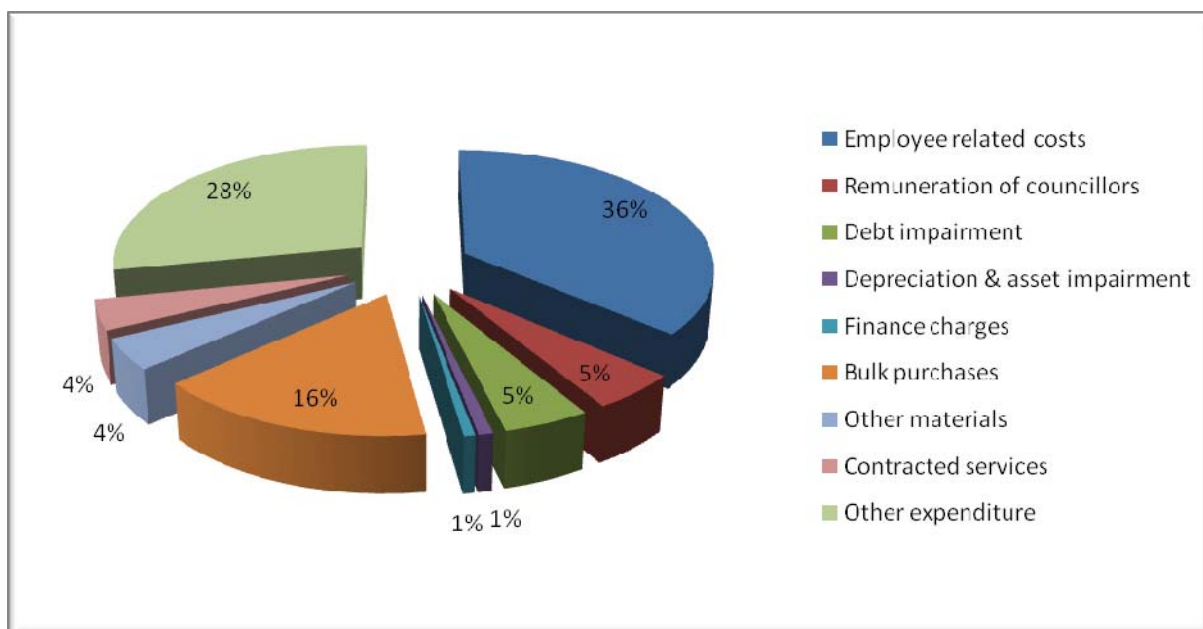
considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard should have been a total of R15,12 million for the 2016 / 2017 financial year. It can however not be cash backed and therefore R 400 000 was budgeted. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases of 7.86% have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 6.6 per cent for 2016 / 2017 and curbed at 6.2 and 5.9 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

The following graph gives a breakdown of the main expenditure categories for the 2016 / 2017 financial year.



**Figure 1 Main operational expenditure categories for the 2016 / 2017 financial year**

**1.4.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the KHM's current infrastructure, the 2016 / 2017 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the KHM. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

For the 2016 / 2017 financial year, only R1 m will be spent on maintenance of infrastructure assets. This is still considered to be insufficient to maintain the assets adequately.

**1.4.2 Free Basic Services: Basic Social Services Package**

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the KHM's Indigent Policy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

**1.5 CAPITAL EXPENDITURE**

Due to financial constraints, it was not possible to provide funding for capital projects from our own sources. Only three projects could be included which are funded from National Grants.:

**Fraserburg Electricity network R 1 600 000**

**Sutherland Bulk Water R 6 582 400**

**Sutherland Sport Facilities R 1 161 600**

**1.6 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY**

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016 / 2017 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

**Table 5 MBRR Table A1 - Budget Summary**

# BEGROTING 2016/17

NC066 Karoo Hoogland - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

WCU06 Karoo Hoogland - Supporting Table SA1 Supporting detail to Budgeted Financial Performance											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
REVENUE ITEMS:											
Property rates	6										
Total Property Rates		4,181	4,303	4,563	5,950	5,950	5,857		7,001	7,435	7,874
less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)									699	742	786
Net Property Rates		4,181	4,303	4,563	5,950	5,950	5,857	-	6,302	6,693	7,088
Service charges - electricity revenue	6										
Total Service charges - electricity revenue		6,657	7,000	7,777	9,250	9,250	10,159		11,671	12,412	13,143
less Revenue Foregone (in excess of 50 kwh per indigent household per month)											
less Cost of Free Basis Services (50 kwh per indigent household per month)		-	-	-	-	-	-	-	557	592	626
Net Service charges - electricity revenue		6,657	7,000	7,777	9,250	9,250	10,159	-	11,114	11,821	12,517
Service charges - water revenue	6										
Total Service charges - water revenue		1,898	2,021	2,076	2,900	2,900	3,234		4,501	4,781	5,064
less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)											
less Cost of Free Basis Services (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	1,021	1,085	1,150
Net Service charges - water revenue		1,898	2,021	2,076	2,900	2,900	3,234	-	3,480	3,696	3,914
Service charges - sanitation revenue											
Total Service charges - sanitation revenue		1,790	1,606	1,978	3,308	3,308	3,506		4,955	5,262	5,573
less Revenue Foregone (in excess of free sanitation service to indigent households)											
less Cost of Free Basis Services (free sanitation service to indigent households)		-	-	-	-	-	-	-	1,182	1,255	1,330
Net Service charges - sanitation revenue		1,790	1,606	1,978	3,308	3,308	3,506	-	3,773	4,007	4,243
Service charges - refuse revenue	6										
Total refuse removal revenue		1,336	1,480	1,642	2,780	2,780	2,573		4,059	4,311	4,566
Total landfill revenue											
less Revenue Foregone (in excess of one removal a week to indigent households)											
less Cost of Free Basis Services (removed once a week to indigent households)		-	-	-	-	-	-	-	1,097	1,166	1,235
Net Service charges - refuse revenue		1,336	1,480	1,642	2,780	2,780	2,573	-	2,962	3,145	3,331
Other Revenue by source											
Fuel Levy		688	295	807	545	545	418		523	562	594
Other Revenue											
Total 'Other' Revenue	3	688	295	807	545	545	418	-	523	562	594
	1	688	295	807	545	545	418	-	523	562	594

## Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the KHM's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial

Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2016/17, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

**Table 6 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

NC066 Karoo Hoogland - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		29,368	26,139	37,265	12,643	12,643	12,727	12,416	13,159	14,854
Executive and council		5,519	4,916	14,918	1,528	1,528	1,606	1,686	1,771	1,860
Budget and treasury office		23,843	21,224	22,348	9,257	9,257	10,728	10,408	11,047	12,633
Corporate services		7	-	-	1,858	1,858	392	322	342	362
<i>Community and public safety</i>		633	627	607	2,089	2,089	2,103	3,281	3,473	10,354
Community and social services		612	607	607	2,061	2,061	2,086	2,095	2,222	2,353
Sport and recreation		21	20	-	28	28	17	1,186	1,252	8,001
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1	-	-	1,011	6,122	6,122	1,161	12	13
Planning and development		1	-	-	-	-	-	-	-	-
Road transport		-	-	-	1,011	6,122	6,122	1,161	12	13
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		19,939	21,112	13,680	32,232	38,126	39,273	44,181	61,400	67,985
Electricity		8,406	8,942	7,901	12,230	12,230	12,986	15,494	14,823	15,752
Water		4,415	4,761	2,098	6,289	12,183	12,503	13,892	30,724	35,285
Waste water management		5,783	3,831	1,998	7,159	7,159	7,427	7,799	8,353	8,926
Waste management		1,336	3,578	1,684	6,554	6,554	6,357	6,997	7,500	8,022
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	49,941	47,878	51,553	47,974	58,979	60,225	61,039	78,045	93,206
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		21,882	16,681	28,742	18,451	18,451	18,089	21,050	22,469	24,586
Executive and council		4,664	2,191	12,291	8,146	8,246	7,107	8,811	9,246	9,731
Budget and treasury office		17,187	10,640	16,450	9,257	9,157	10,972	12,189	13,170	14,798
Corporate services		31	3,850	-	1,049	1,049	10	50	53	56
<i>Community and public safety</i>		1,975	2,258	1,721	3,032	3,032	2,627	2,963	3,146	3,332
Community and social services		479	838	1,411	2,102	2,102	1,786	2,136	2,267	2,403
Sport and recreation		1,485	1,376	310	930	930	841	827	879	929
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		10	44	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		12,643	7,731	6,199	3,038	3,038	2,650	3,169	2,294	2,423
Planning and development		114	152	-	-	-	-	-	-	-
Road transport		12,529	7,579	6,199	3,038	3,038	2,650	3,169	2,294	2,423
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		14,763	21,108	19,481	23,403	23,403	21,315	24,453	25,916	27,307
Electricity		6,686	10,371	8,439	11,802	11,802	10,320	11,688	12,398	12,934
Water		3,752	5,102	4,162	3,331	3,331	3,281	3,782	4,018	4,254
Waste water management		1,512	5,181	2,803	4,831	4,832	4,465	5,303	5,608	5,916
Waste management		2,813	453	4,077	3,438	3,438	3,248	3,681	3,893	4,203
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	3	51,263	47,778	56,142	47,924	47,924	44,680	51,635	53,825	57,648
<b>Surplus/(Deficit) for the year</b>		(1,321)	100	(4,589)	50	11,055	15,544	9,403	24,220	35,558

**Table 7 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

NC066 Karoo Hoogland - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		R thousand								
<b>Revenue by Vote</b>	1									
Council		5,519	4,916	10,640	1,494	1,494	1,490	1,570	1,647	1,729
Finance		19,408	16,671	10,767	3,307	3,307	3,314	2,445	2,564	3,619
Rates		4,435	4,566	4,780	7,514	7,514	7,414	7,963	8,483	9,014
Municipal Manager		7	–	1	35	35	116	117	124	131
Refuse		1,336	3,579	–	6,554	6,554	6,357	6,997	7,500	8,022
Libraries		–	–	–	1,720	1,720	1,722	1,751	1,858	1,968
Commonage		–	–	–	294	294	392	322	342	362
Townhall & Buildings		612	607	1,164	333	333	354	332	351	372
Cemeteries		–	–	–	8	8	11	12	12	13
Parks trees and recreation		21	20	24	28	28	17	1,186	1,252	8,001
Health		–	–	–	–	–	–	–	–	–
Streets and Public Works		1	–	–	1,011	6,122	6,111	1,161	12	13
Electricity		8,406	8,942	10,679	12,230	12,230	12,986	15,494	14,823	15,752
Water		4,415	4,743	5,500	6,289	12,183	12,514	13,892	30,724	35,285
Sanitation		5,783	3,833	7,997	7,159	7,159	7,427	7,799	8,353	8,926
<b>Total Revenue by Vote</b>	2	<b>49,941</b>	<b>47,878</b>	<b>51,553</b>	<b>47,974</b>	<b>58,979</b>	<b>60,225</b>	<b>61,039</b>	<b>78,045</b>	<b>93,206</b>
<b>Expenditure by Vote <i>to be appropriated</i></b>	1									
Council		4,664	4,375	5,132	2,937	3,037	2,684	3,036	3,176	3,308
Finance		17,187	9,500	10,315	9,257	9,157	10,042	10,890	11,576	12,419
Rates		31	–	492	964	964	930	1,299	1,594	2,379
Municipal Manager		–	4,413	5,354	5,208	5,208	4,423	5,775	6,069	6,423
Refuse		2,813	–	75	3,437	3,437	3,248	3,681	3,893	4,203
Libraries		479	838	690	1,720	1,720	1,597	1,751	1,858	1,968
Commonage		114	–	102	85	85	10	50	53	56
Townhall & Buildings		–	152	25	375	375	179	378	401	427
Cemeteries		–	–	–	7	7	10	7	7	8
Parks trees and recreation		1,485	1,376	860	930	930	841	827	879	929
Health		10	44	30	–	–	–	–	–	–
Streets and Public Works		12,529	10,592	14,696	3,038	3,038	2,650	3,169	2,294	2,423
Electricity		6,686	8,132	9,296	11,802	11,802	10,320	11,688	12,398	12,934
Water		3,752	4,060	3,620	3,331	3,331	3,281	3,782	4,018	4,254
Sanitation		1,512	4,298	5,454	4,832	4,832	4,465	5,303	5,608	5,916
<b>Total Expenditure by Vote</b>	2	<b>51,263</b>	<b>47,778</b>	<b>56,142</b>	<b>47,924</b>	<b>47,924</b>	<b>44,680</b>	<b>51,635</b>	<b>53,825</b>	<b>57,648</b>
<b>Surplus/(Deficit) for the year</b>	2	<b>(1,321)</b>	<b>100</b>	<b>(4,589)</b>	<b>50</b>	<b>11,055</b>	<b>15,544</b>	<b>9,403</b>	<b>24,220</b>	<b>35,558</b>

**Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

NC066 Karoo Hoogland - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source												
Property rates	2		4,181	4,303	4,563	5,950	5,950	5,857	–	6,302	6,693	7,088
Property rates - penalties & collection charges			254	262	217	–	–	232	–	249	265	280
Service charges - electricity revenue	2		6,657	7,000	7,777	9,250	9,250	10,159	–	11,114	11,821	12,517
Service charges - water revenue	2		1,898	2,021	2,076	2,900	2,900	3,234	–	3,480	3,696	3,914
Service charges - sanitation revenue	2		1,790	1,606	1,978	3,308	3,308	3,506	–	3,773	4,007	4,243
Service charges - refuse revenue	2		1,336	1,480	1,642	2,780	2,780	2,573	–	2,962	3,145	3,331
Service charges - other			–	–	–	8	8	8	–	12	12	13
Rental of facilities and equipment			712	695	689	497	497	497	–	507	536	568
Interest earned - external investments			37	146	197	215	215	215	–	231	242	257
Interest earned - outstanding debtors			409	526	915	948	948	948	–	856	862	912
Dividends received			–	–	–	–	–	–	–	–	–	–
Fines			5	6	6	5	5	5	–	5	5	5
Licences and permits			81	79	–	20	20	20	–	24	25	27
Agency services			223	221	217	243	243	243	–	261	280	297
Transfers recognised - operational			15,973	17,510	18,496	21,255	21,255	21,255	–	21,246	21,727	24,218
Other revenue	2		688	295	807	545	545	418	–	523	562	594
Gains on disposal of PPE			–	235	–	50	50	50	–	150	–	–
Total Revenue (excluding capital transfers and contributions)			34,242	36,384	39,580	47,974	47,974	49,220	–	51,695	53,878	58,264
Expenditure By Type												
Employee related costs	2		18,292	17,141	17,132	17,352	17,252	15,919	–	18,716	19,885	21,095
Remuneration of councillors			1,640	1,691	1,906	2,085	2,185	2,175	–	2,400	2,550	2,700
Debt impairment	3		1,275	121	1,532	2,340	2,340	2,437	–	2,514	2,695	3,078
Depreciation & asset impairment	2		14,444	10,803	11,269	599	599	599	–	400	425	450
Finance charges			524	1,753	2,040	305	305	347	–	776	753	730
Bulk purchases	2		5,085	6,542	6,488	7,615	7,615	7,292	–	8,405	8,927	9,171
Other materials	8		1,604	772	–	2,028	2,028	–	–	–	–	–
Contracted services			–	–	–	1,950	1,950	1,804	–	1,185	1,259	1,336
Transfers and grants			4,201	6,227	3,076	5,195	5,195	4,214	–	4,556	4,840	5,128
Other expenditure	4, 5		4,198	2,728	11,255	8,455	8,455	9,894	–	12,684	12,492	13,961
Loss on disposal of PPE			–	–	1,444	–	–	–	–	–	–	–
Total Expenditure			51,263	47,778	56,142	47,924	47,924	44,680	–	51,635	53,825	57,648
Surplus/(Deficit)			(17,020)	(11,394)	(16,562)	50	50	4,539	–	59	53	616
Transfers recognised - capital			15,699	11,494	11,973	–	11,005	11,005	–	9,344	24,167	34,942
Contributions recognised - capital			–	–	–	–	–	–	–	–	–	–
Contributed assets			–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions			(1,321)	100	(4,589)	50	11,055	15,544	–	9,403	24,220	35,558
Taxation			–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation			(1,321)	100	(4,589)	50	11,055	15,544	–	9,403	24,220	35,558
Attributable to minorities			–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality			(1,321)	100	(4,589)	50	11,055	15,544	–	9,403	24,220	35,558
Share of surplus/ (deficit) of associate	7		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year			(1,321)	100	(4,589)	50	11,055	15,544	–	9,403	24,220	35,558

**Table 9 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Capital Expenditure - Standard										
Governance and administration		38	12	-	-	-	-	-	-	-
Executive and council										
Budget and treasury office		38	12							
Corporate services										
Community and public safety		-	-	-	-	-	-	1,162	1,225	7,973
Community and social services										
Sport and recreation								1,162	1,225	7,973
Public safety										
Housing										
Health										
Economic and environmental services		-	-	-	4,111	5,111	5,111	-	-	-
Planning and development										
Road transport					4,111	5,111	5,111			
Environmental protection										
Trading services		14,272	10,267	10,531	3,894	5,894	5,894	-	8,182	22,942
Electricity		3,276	3,328						1,600	
Water		10,996	4,978	933	3,894	5,894	5,894		6,582	22,942
Waste water management			1,961	9,598						
Waste management										
Other										
Total Capital Expenditure - Standard	3	14,310	10,279	10,531	8,005	11,005	11,005	-	9,344	24,167
Funded by:										
National Government		14,310	10,267	9,598	8,005	8,005	8,005		9,344	24,167
Provincial Government				933		3,000	3,000			
District Municipality										
Other transfers and grants										
Transfers recognised - capital	4	14,310	10,267	10,531	8,005	11,005	11,005	-	9,344	24,167
Public contributions & donations	5									
Borrowing	6									
Internally generated funds			12							
Total Capital Funding	7	14,310	10,279	10,531	8,005	11,005	11,005	-	9,344	24,167



**Table 10 MBRR Table A6 - Budgeted Financial Position**

NC066 Karoo Hoogland - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		281	2,720	1,973	2,780	2,780	2,780	(4,153)	1,250	1,328	1,406
Call investment deposits	1	377	429	946	—	—	—	—	—	—	—
Consumer debtors	1	2,231	5,896	6,397	7,608	7,608	7,608	173	8,186	8,694	9,207
Other debtors		416	69	284				(277)	287	305	323
Current portion of long-term receivables		3									
Inv entory	2	16	22	8	24	24	24				
Total current assets		3,323	9,136	9,607	10,412	10,412	10,412	(4,257)	9,723	10,327	10,936
Non current assets											
Long-term receivables		4,566	3,343	3,475				42	3,739	3,971	4,205
Inv estments											
Inv estment property		18,086	25,603	25,252	18,050	18,050	18,050		37,436	39,757	42,103
Inv estment in Associate											
Property, plant and equipment	3	163,692	282,296	281,533	167,521	170,521	170,521	34	179,865	204,032	238,974
Agricultural											
Biological											
Intangible		794	320	309	757	757	757		757	804	851
Other non-current assets			1,265	244							
Total non current assets		187,137	312,826	310,813	186,328	189,328	189,328	76	221,798	248,564	286,133
TOTAL ASSETS		190,461	321,962	320,420	196,740	199,740	199,740	(4,181)	231,521	258,891	297,069
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	75	271	295	305	305	305	—	305	305	305
Consumer deposits		299	285	168	295	295	295	2	317	337	357
Trade and other payables	4	11,217	7,136	8,735	7,407	7,407	7,407	(1,439)	7,970	8,464	8,963
Provisions		2,175	22,573	23,394	2,340	2,340	2,340		2,518	2,674	2,832
Total current liabilities		13,766	30,264	32,592	10,347	10,347	10,347	(1,438)	11,110	11,780	12,457
Non current liabilities											
Borrowing		2,254	2,702	2,529	2,488	2,488	2,488	—	2,272	2,080	1,879
Provisions		3,699	11,209	12,102	2,340	2,340	2,340	—	1,200	1,274	1,350
Total non current liabilities		5,953	13,910	14,631	4,828	4,828	4,828	—	3,472	3,355	3,228
TOTAL LIABILITIES		19,718	44,174	47,223	15,175	15,175	15,175	(1,438)	14,582	15,135	15,685
NET ASSETS	5	170,742	277,788	273,197	181,565	184,565	184,565	(2,743)	216,939	243,756	281,383
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		170,742	277,788	273,197	181,565	184,565	184,565	(2,743)	216,939	243,756	281,383
Reserves	4	—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	5	170,742	277,788	273,197	181,565	184,565	184,565	(2,743)	216,939	243,756	281,383

**Table 11 MBRR Table A7 - Budgeted Cash Flow Statement**

NC066 Karoo Hoogland - Table A7 Budgeted Cash Flows

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates, penalties & collection charges			4,435	4,566	4,780	5,950	5,950	5,950	2,689	6,678	7,002	7,415
Service charges			11,680	12,112	12,056	18,246	18,246	18,246	7,064	20,809	22,098	23,391
Other revenue			(1,184)	1,796	906	1,310	1,310	1,310	2,391	1,405	1,490	1,577
Government - operating		1	15,973	17,872	19,501	21,255	21,255	21,255	15,746	21,246	21,727	24,218
Government - capital		1	15,698	12,059	10,390	8,005	11,005	11,005	5,002	9,344	24,167	34,942
Interest			37	146	1,113	1,163	1,163	1,163	814	961	1,019	1,078
Dividends										-	-	-
Payments												
Suppliers and employees			(29,279)	(29,891)	(35,819)	(47,314)	(47,314)	(47,314)	(29,311)	(45,429)	(47,350)	(50,492)
Finance charges			(207)	(507)	(2,040)	(305)	(305)	(305)		(305)	(305)	(305)
Transfers and Grants		1	(4,201)	(6,227)					(579)	(4,865)	(5,165)	(5,471)
NET CASH FROM/(USED) OPERATING ACTIVITIES			12,953	11,926	10,887	8,310	11,310	11,310	3,817	9,844	24,682	36,353
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE						50	50	50		-	-	-
Decrease (increase) in non-current debtors				941	132					-	-	-
Decrease (increase) other non-current receivables										-	-	-
Decrease (increase) in non-current investments										-	-	-
Payments												
Capital assets			(14,310)	(10,279)	(10,721)	(8,005)	(11,005)	(11,005)	(1,041)	(9,344)	(24,167)	(34,942)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(14,310)	(9,337)	(10,589)	(7,955)	(10,955)	(10,955)	(1,041)	(9,344)	(24,167)	(34,942)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans					31					-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits			(130)	(14)	116					-	-	-
Payments												
Repayment of borrowing			(144)	(83)	(148)	(305)	(305)	(305)	(206)	(305)	(305)	(305)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(274)	(98)	-	(305)	(305)	(305)	(206)	(305)	(305)	(305)
NET INCREASE/ (DECREASE) IN CASH HELD			(1,631)	2,491	298	50	50	50	2,569	195	210	1,106
Cash/cash equivalents at the year begin:		2	2,290	658	(2,194)	2,780	2,780	2,780	2,319	2,780	2,975	3,184
Cash/cash equivalents at the year end:		2	658	3,149	(1,896)	2,830	2,830	2,830	4,888	2,975	3,184	4,290

**Table 12 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

NC066 Karoo Hoogland - Table A8 Cash backed reserves/accumulated surplus reconciliation

2016/17 Medium Term Revenue & Expenditure Framework												
Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>												
Cash/cash equivalents at the year end		1	658	3,149	(1,896)	2,830	2,830	2,830	4,888	2,975	3,184	4,290
Other current investments > 90 days			-	-	4,814	(50)	(50)	(50)	(9,041)	(1,725)	(1,856)	(2,884)
Non current assets - Investments		1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>			<b>658</b>	<b>3,149</b>	<b>2,918</b>	<b>2,780</b>	<b>2,780</b>	<b>2,780</b>	<b>(4,153)</b>	<b>1,250</b>	<b>1,328</b>	<b>1,406</b>
<b>Application of cash and investments</b>												
Unspent conditional transfers			-	-	-	-	-	-	-	-	-	-
Unspent borrowing			-	-	-	-	-	-	-	-	-	-
Statutory requirements		2										
Other working capital requirements		3	5,311	(2,161)	108	72	72	401	(1,439)	(3,765)	(3,969)	(4,200)
Other provisions						24						
Long term investments committed		4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments		5										
<b>Total Application of cash and investments:</b>			<b>5,311</b>	<b>(2,161)</b>	<b>108</b>	<b>96</b>	<b>72</b>	<b>401</b>	<b>(1,439)</b>	<b>(3,765)</b>	<b>(3,969)</b>	<b>(4,200)</b>
<b>Surplus(shortfall)</b>			<b>(4,653)</b>	<b>5,310</b>	<b>2,811</b>	<b>2,684</b>	<b>2,708</b>	<b>2,379</b>	<b>(2,714)</b>	<b>5,015</b>	<b>5,297</b>	<b>5,606</b>

**Table 13 MBRR Table A10 - Basic Service Delivery Measurement**

NC066 Karoo Hoogland - Table A10 Basic service delivery measurement

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	-	1,742	1,855	1,855	1,855	1,855	1,855	1,855
Piped water inside yard (but not in dwelling)		-	-	452	452	452	452	452	452	452
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	299	686	686	686	686	686	686
Flush toilet (with septic tank)		-	-	1,002	791	791	791	791	791	791
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	1,301	1,477	1,477	1,477	1,477	1,477	1,477
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	893	830	830	830	830	830	830
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	893	830	830	830	830	830	830
Total number of households	5	-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	180	180	180	180	180	180
Electricity - prepaid (min.service level)		-	-	2,194	2,127	2,127	2,127	2,127	2,127	2,127
<i>Minimum Service Level and Above sub-total</i>		-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
<b>Refuse:</b>										
Removed at least once a week		-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
<i>Minimum Service Level and Above sub-total</i>		-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	2,194	2,307	2,307	2,307	2,307	2,307	2,307

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Part 2 – Supporting Documentation

### 1.7 OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the KHM's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 1.7.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule in August 2015. Key dates applicable to the process were:

- **January 2016** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2016** – Council to consider 2015/16 Mid-year Review;
- **February 2016**- Council to consider Adjustments Budget if necessary;
- **February 2016** – Public Participation
- **March 2016** - Tabling in Council of the draft 2016 / 2017 IDP and 2016 / 2017 MTREF for public consultation;
- **April 2016** – Public consultation;
- **April 2016** - Closing date for written comments;
- **April 2016** – Budget Approval

There were deviations from the key dates set out in the Budget Time Schedule tabled in Council since January 2016

## 1.7.2 IDP and Service Delivery and Budget Implementation Plan

### 1.7.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2016 / 2017 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016 / 2017 MTREF:

- KHM growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2015/16 budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

### 1.7.4 Community Consultation

## 1.8 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide KHM planning services; and
  - Maintaining the infrastructure of the KHM.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the KHM;
  - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective KHM cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity in KHM to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

**Table 14 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue**

NC066 Karoo Hoogland - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

RC000 Karoo Hoogland - Supporting Table 3A Reconciliation of IDP Strategic Objectives and Budget (Revenue)													
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand													
Service Delivery	To enhance sustainable service delivery through infrastructure development			49,941	47,878	42,590	43,025	54,030	55,276	56,090	71,960	85,257	
Local Economic Development	The successful implementation of the LED Strategy Address social challenges that hinder economic development												
Financial Viability	The development of a financial plan with strategies to ensure that Karoo Hoogland will be a financial viable entity					3,463	3,307	3,307	3,307	3,307	4,443	5,307	
Municipal Transformation and Organizational Development	To establish proper administrative and institutional infrastructure to properly regulate the implementation of the IDP					5,500	1,607	1,607	1,607	1,607	1,607	2,607	
Good Governance	To actively involve the public in local government To monitor and evaluate the performance of council in terms of its PMS  Community Participation						35	35	35	35	35	35	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	49,941	47,878	51,553	47,974	58,979	60,225	61,039	78,045	93,206

**Table 15 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

NC066 Karoo Hoogland - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

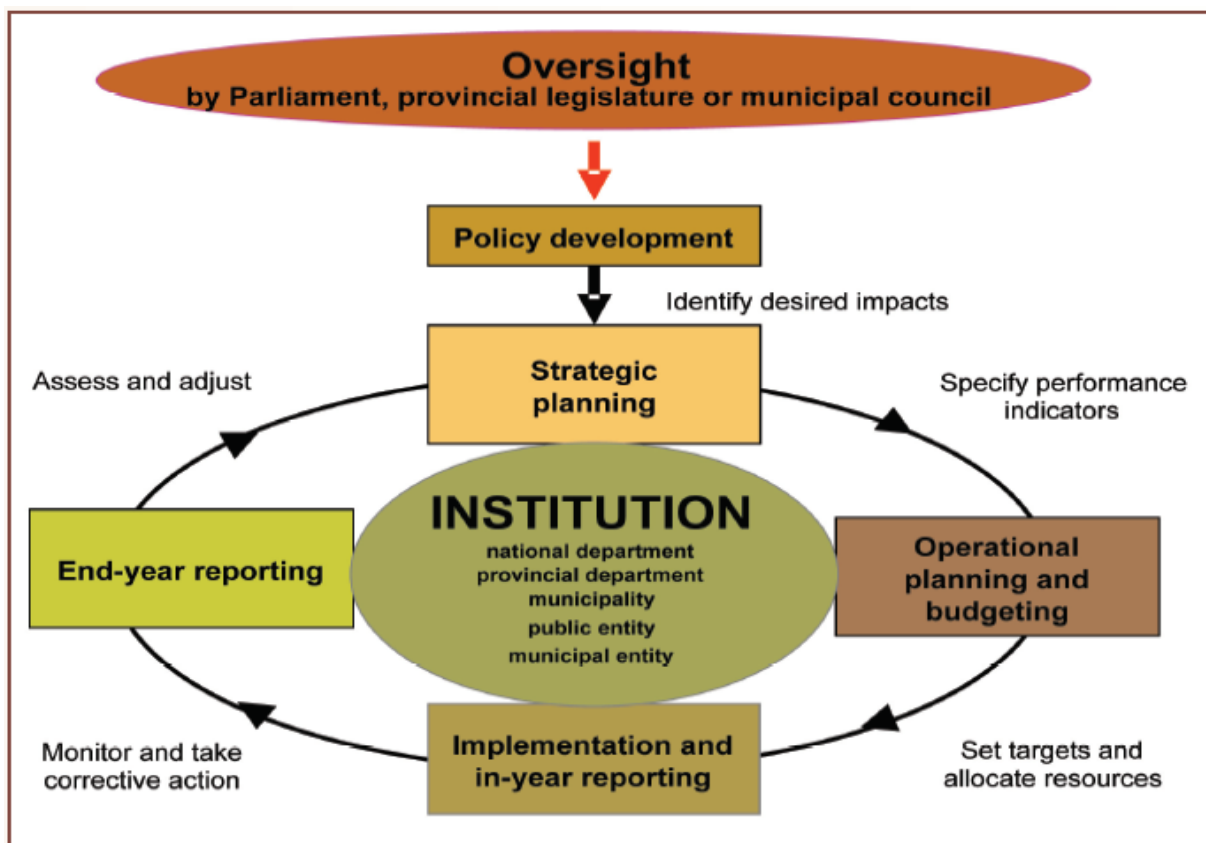
Strategic Objective	Goal	Goal Code	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand												
Service Delivery	To enhance sustainable service delivery through infrastructure development			51,262	47,778	38,461	30,298	30,298	27,055	33,332	34,387	37,064
Local Economic Development	The successful implementation of the LED Strategy Address social challenges that hinder economic development					75						
Financial Viability	The development of a financial plan with strategies to ensure that Karoo Hoogland will be a financially viable entity					8,196	9,257	9,257	9,257	9,299	9,875	10,458
Municipal Transformation and Organizational Development	To establish proper administrative and institutional infrastructure to properly execute the implementation of					4,054	3,196	3,196	3,196	3,438	3,652	3,867
Good Governance	To actively involve the public in local government  To monitor and evaluate the performance of council in terms of PMS Community Participation					5,356	5,173	5,173	5,173	5,566	5,911	6,260
Allocations to other priorities												
Total Expenditure				51,262	47,778	56,142	47,924	47,924	44,681	51,635	53,825	57,648



## 1.9 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the KHM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 2 Planning, budgeting and reporting cycle**

The performance of the KHM relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The KHM therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);

- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the KHM in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

### Figure 3 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

**Table 16 MBRR Table SA7 - Measurable performance objectives**

NC066 Karoo Hoogland - Supporting Table SA7 Measurable performance objectives

Description	Unit of measurement	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Vote 1 - vote name</b>										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
<b>Vote 2 - vote name</b>										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
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Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
<b>Vote 3 - vote name</b>										
Function 1 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
Function 2 - (name)										
Sub-function 1 - (name)										
<i>Insert measure/s description</i>										
Sub-function 2 - (name)										
<i>Insert measure/s description</i>										
Sub-function 3 - (name)										
<i>Insert measure/s description</i>										
<b>And so on for the rest of the Votes</b>										

The following table sets out the municipalities main performance objectives and benchmarks for the 2016 / 2017 MTREF.

**Table 17 MBRR Table SA8 - Performance indicators and benchmarks**

NC066 Karoo Hoogland - Supporting Table SA8 Performance indicators and benchmarks

NCU066 Karoo Hoogland - Supporting table SA8 Performance indicators and benchmarks											
Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b><u>Borrowing Management</u></b>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	1.3%	3.8%	3.9%	1.3%	1.3%	1.5%	0.0%	2.1%	2.0%	1.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.7%	9.7%	10.4%	2.3%	2.3%	2.3%	0.0%	3.6%	3.3%	3.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.2	0.3	0.3	1.0	1.0	1.0	3.0	0.9	0.9	0.9
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.2	0.3	0.3	1.0	1.0	1.0	3.0	0.9	0.9	0.9
Liquidity Ratio	Monetary Assets/Current Liabilities	0.0	0.1	0.1	0.3	0.3	0.3	2.9	0.1	0.1	0.1
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		100.0%	105.7%	93.0%	100.0%	100.0%	94.6%	0.0%	98.5%	98.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		100.0%	100.0%	92.2%	100.0%	100.0%	94.6%	0.0%	98.5%	98.2%	98.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	21.1%	25.6%	25.7%	15.9%	15.9%	15.5%	0.0%	23.6%	24.1%	23.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		1704.1%	226.6%	-460.7%	261.7%	261.7%	261.7%	-29.4%	267.9%	265.8%	208.9%
<b><u>Other Indicators</u></b>											
Electricity Distribution Losses (2)	Total Volume Losses (kW)				411	411	411		211	224	237
	Total Cost of Losses (Rand '000)				616	616	616		395	419	444
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	Total Volume Losses (kℓ)				32	32	32		28	30	31
	Total Cost of Losses (Rand '000)				170	170	170		165	175	185
	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	53.4%	47.1%	43.3%	36.2%	36.0%	32.3%	0.0%	36.2%	36.9%	36.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	0.0%	66.9%	55.3%	40.5%	40.5%	39.5%		40.8%	41.6%	40.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	4.7%	2.6%	0.0%	4.2%	4.2%	3.5%		2.3%	1.9%	1.8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	43.7%	34.5%	33.6%	1.9%	1.9%	1.9%	0.0%	2.3%	2.2%	2.0%
<b><u>IDP regulation financial viability indicators</u></b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	79.6	15.0	14.4	18.2	18.2	18.2	-	23.0	23.3	24.6
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	15.7%	34.3%	35.3%	30.8%	30.8%	29.2%	0.0%	29.8%	29.8%	29.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	1.3	(0.7)	1.0	1.0	1.0	(284.0)	0.9	0.9	1.2

### 1.9.1 Performance indicators and benchmarks

#### 1.9.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Karoo Hoogland Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the KHM's debt portfolio is dominated by annuity loans.

#### Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

#### 1.9.1.2 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the KHM has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2015 / 2016 MTREF the current ratio is 1.0 in the 2016/17 financial year and for the two outer years of the MTREF it is 1.0. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2015/16 financial year the ratio was 0.4 and as part of the financial planning strategy it has been increased to 0.3 in the 2016/17 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the KHM. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### 1.9.1.3 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

#### 1.9.1.4 Creditors Management

- The KHM has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the KHM, which is expected to benefit the KHM in the form of more competitive pricing of tenders, as suppliers compete for the KHM's business.

#### 1.9.1.5 Other Indicators

- The electricity distribution losses remain at more than 9%, this is mainly due to the outdated infrastructure in Fraserburg.
- The water distribution losses cannot be calculated due to the shortage in bulk meters. This needs to be addressed urgently.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers. The percentage however is considered to be out of bounds.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the KHM's strategy to ensure the management of its asset base.

#### 1.9.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the KHM. With the exception of water, only registered indigents qualify for the free basic services.

For the 2016/17 financial year 890 registered indigents have been provided for in the budget. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, and free refuse, sanitation and discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

#### 1.9.3 Providing clean water and managing waste water

The KHM is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. All water is generated from the KHM's own water sources, such as boreholes and small dams.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

### 1.10 OVERVIEW OF BUDGET RELATED-POLICIES

The KHM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

**1.10.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in May 2015 and is reviewed annually. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, it is essential that projects implemented should create work. The 2016 / 2017 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 83 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the KHM's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. Currently the collection rate is only 80%.

**1.10.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the KHM's revenue base.

**1.10.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the KHM continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions. Unfortunately both these processes were derailed in the current year.

**1.10.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in May 2015. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

**1.10.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the KHM's system of delegations.

### 1.10.6 Cash Management and Investment Policy

The KHM's Cash Management and Investment Policy were amended by Council in May 2015. The aim of the policy is to ensure that the KHM's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

### 1.10.7 Tariff Policies

The KHM's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

### 1.10.8 Financial Modelling and Scenario Planning Policy

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2016 / 2017 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has to be modelled as part of the financial modelling and scenario planning process:

- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the KHM's website, as well as the following budget related policies:

- Property Rates Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

## 1.11 OVERVIEW OF BUDGET ASSUMPTIONS



### 1.11.1 External factors

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the KHM's finances.

### 1.11.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2016 / 2017 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on KHM's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 36 percent of total operating expenditure in the 2016 / 2017 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

### 1.11.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Borrowing for the lease of a fleet is planned for the 2016/ 2017 year.

### 1.11.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (83 per cent) of annual billings. Cash flow is assumed to be 83 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored. In practice the collection rate only reach 83% currently.

### 1.11.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the KHM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

### 1.11.6 Salary increases

A 6 % salary increase was negotiated nationally according to collective agreement.

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

### 1.11.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2016 / 2017 MTREF of which performance has been factored into the cash flow budget.

## 1.12 OVERVIEW OF BUDGET FUNDING

### 1.12.1 Medium-term outlook: operating revenue

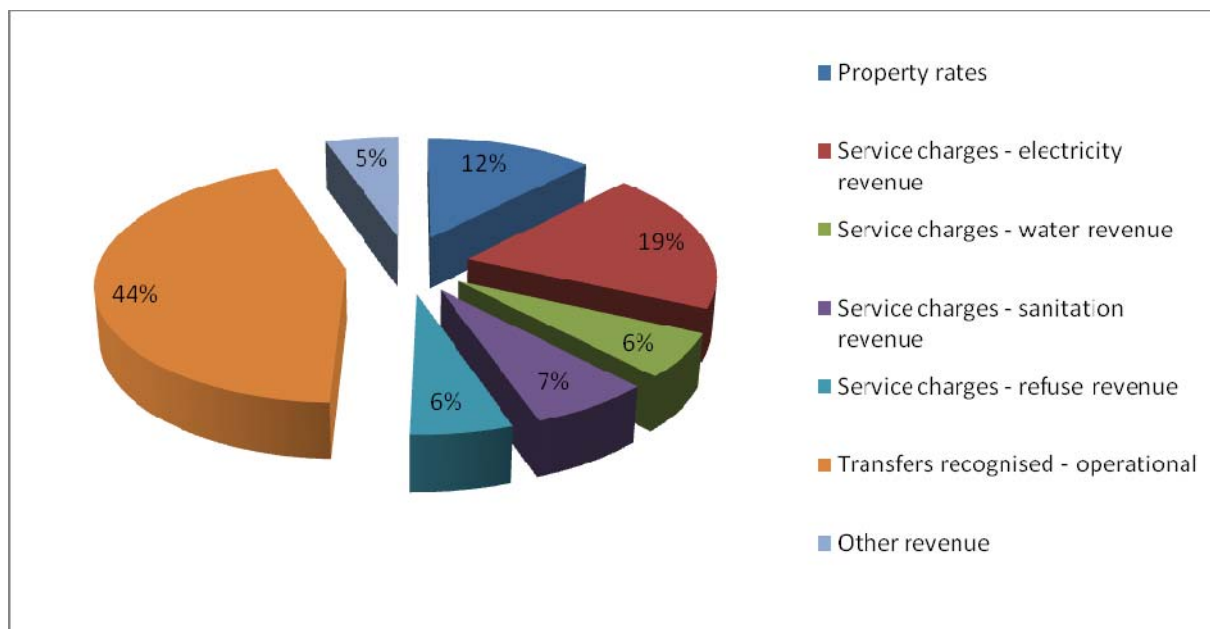
The following table is a breakdown of the operating revenue over the medium-term:

**Table 18 Breakdown of the operating revenue over the medium-term**

NC066 Karoo Hoogland - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>	6										
Total Property Rates		4,181	4,303	4,563	5,950	5,950	5,857		7,001	7,435	7,874
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>									699	742	786
Net Property Rates		4,181	4,303	4,563	5,950	5,950	5,857	-	6,302	6,693	7,088
<b>Service charges - electricity revenue</b>	6										
Total Service charges - electricity revenue		6,657	7,000	7,777	9,250	9,250	10,159		11,671	12,412	13,143
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>											
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	557	592	626
Net Service charges - electricity revenue		6,657	7,000	7,777	9,250	9,250	10,159	-	11,114	11,821	12,517
<b>Service charges - water revenue</b>	6										
Total Service charges - water revenue		1,898	2,021	2,076	2,900	2,900	3,234		4,501	4,781	5,064
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>											
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	1,021	1,085	1,150
Net Service charges - water revenue		1,898	2,021	2,076	2,900	2,900	3,234	-	3,480	3,696	3,914
<b>Service charges - sanitation revenue</b>											
Total Service charges - sanitation revenue		1,790	1,606	1,978	3,308	3,308	3,506		4,955	5,262	5,573
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>											
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		-	-	-	-	-	-	-	1,182	1,255	1,330
Net Service charges - sanitation revenue		1,790	1,606	1,978	3,308	3,308	3,506	-	3,773	4,007	4,243
<b>Service charges - refuse revenue</b>	6										
Total refuse removal revenue		1,336	1,480	1,642	2,780	2,780	2,573		4,059	4,311	4,566
Total landfill revenue											
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>											
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>		-	-	-	-	-	-	-	1,097	1,166	1,235
Net Service charges - refuse revenue		1,336	1,480	1,642	2,780	2,780	2,573	-	2,962	3,145	3,331
<b>Other Revenue by source</b>											
<i>Fuel Levy</i>											
<i>Other Revenue</i>		688	295	807	545	545	418		523	562	594
<b>Total 'Other' Revenue</b>	3 1	688	295	807	545	545	418	-	523	562	594

The following graph is a breakdown of the operational revenue per main category for the 2016 / 2017 financial year.



**Figure 4 Breakdown of operating revenue over the 2016 / 2017 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The KHM derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the KHM and economic development;
- Revenue management and enhancement;
- Achievement of a 90 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2016 / 2017 MTREF on the different revenue categories are set out in

The tables below provide detail investment information and investment particulars by maturity.

**Table 19 MBRR SA15 – Detail Investment Information**

No funds are currently invested

**Table 20 MBRR SA16 – Investment particulars by maturity**

No funds are currently invested

**1.12.2 Medium-term outlook: capital revenue**

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 21 Sources of capital revenue over the MTREF**

Funded by:											
National Government		14,310	10,267	9,598	8,005	8,005	8,005		9,344	24,167	34,942
Provincial Government				933		3,000	3,000				
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	14,310	10,267	10,531	8,005	11,005	11,005	–	9,344	24,167	34,942
Public contributions & donations	5										
Borrowing	6										
Internally generated funds			12								
Total Capital Funding	7	14,310	10,279	10,531	8,005	11,005	11,005	–	9,344	24,167	34,942

**Table 22 MBRR Table SA 17 - Detail of borrowings**

NC066 Karoo Hoogland - Supporting Table SA17 Borrowing

Borrowing - Categorised by type R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)		2,254	2,702	2,529	2,488	2,488	2,488	2,272	2,080	1,879
Long-Term Loans (non-annuity)					-	-	-	-	-	-
Local registered stock					-	-	-	-	-	-
Instalment Credit					-	-	-	-	-	-
Financial Leases					-	-	-	-	-	-
PPP liabilities					-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier					-	-	-	-	-	-
Marketable Bonds					-	-	-	-	-	-
Non-Marketable Bonds					-	-	-	-	-	-
Bankers Acceptances					-	-	-	-	-	-
Financial derivatives					-	-	-	-	-	-
Other Securities					-	-	-	-	-	-
<b>Municipality sub-total</b>	1	2,254	2,702	2,529	2,488	2,488	2,488	2,272	2,080	1,879

**Table 23 MBRR Table SA 18 - Capital transfers and grant receipts**

NC066 Karoo Hoogland - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>RECEIPTS:</b>	1, 2									
<b>Operating Transfers and Grants</b>										
National Government:		-	16,438	17,403	19,542	19,542	19,542	19,503	19,876	22,258
Local Government Equitable Share			13,898	14,669	15,812	15,812	15,812	16,678	17,976	19,342
Finance Management			1,650	1,800	1,800	1,800	1,800	1,825	1,900	2,155
Municipal Systems Improvement			890	934	930	930	930	-	-	761
EPWP Incentive					1,000	1,000	1,000	1,000	-	-
Other transfers/grants [insert description]										
Provincial Government:		-	-	715	1,713	1,713	1,713	1,743	1,851	1,960
Library Grant				715	1,713	1,713	1,713	1,743	1,851	1,960
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	-	16,438	18,118	21,255	21,255	21,255	21,246	21,727	24,218
<b>Capital Transfers and Grants</b>										
National Government:		-	11,805	10,490	8,005	10,005	10,005	7,744	24,167	34,942
Municipal Infrastructure Grant (MIG)			10,805	8,890	8,005	8,005	8,005	7,744	8,167	8,363
Municipal Infrastructure Grant (MIG)			1,000	1,000						
Regional Bulk Infrastructure				600		2,000	2,000		16,000	26,579
Other capital transfers/grants [insert desc]										
Provincial Government:		-	-	-	-	-	-	1,600	-	-
INEP								1,600	-	-
District Municipality:		-	-	-	-	1,000	1,000	-	-	-
Pula Nala						1,000	1,000			
Other grant providers:		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total Capital Transfers and Grants</b>	5	-	11,805	10,490	8,005	11,005	11,005	9,344	24,167	34,942
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		-	28,243	28,608	29,260	32,260	32,260	30,590	45,894	59,160

**1.12.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;

- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 24 MBRR Table A7 - Budget cash flow statement**

NC066 Karoo Hoogland - Table A7 Budgeted Cash Flows

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates, penalties & collection charges			4,435	4,566	4,780	5,950	5,950	5,950	2,689	6,678	7,002	7,415
Service charges			11,680	12,112	12,056	18,246	18,246	18,246	7,064	20,809	22,098	23,391
Other revenue			(1,184)	1,796	906	1,310	1,310	1,310	2,391	1,405	1,490	1,577
Government - operating		1	15,973	17,872	19,501	21,255	21,255	21,255	15,746	21,246	21,727	24,218
Government - capital		1	15,698	12,059	10,390	8,005	11,005	11,005	5,002	9,344	24,167	34,942
Interest			37	146	1,113	1,163	1,163	1,163	814	961	1,019	1,078
Dividends										-	-	-
Payments												
Suppliers and employees			(29,279)	(29,891)	(35,819)	(47,314)	(47,314)	(47,314)	(29,311)	(45,429)	(47,350)	(50,492)
Finance charges			(207)	(507)	(2,040)	(305)	(305)	(305)		(305)	(305)	(305)
Transfers and Grants		1	(4,201)	(6,227)					(579)	(4,865)	(5,165)	(5,471)
NET CASH FROM/(USED) OPERATING ACTIVITIES			12,953	11,926	10,887	8,310	11,310	11,310	3,817	9,844	24,682	36,353
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE						50	50	50		-	-	-
Decrease (Increase) in non-current debtors				941	132					-	-	-
Decrease (increase) other non-current receivables										-	-	-
Decrease (increase) in non-current investments										-	-	-
Payments												
Capital assets			(14,310)	(10,279)	(10,721)	(8,005)	(11,005)	(11,005)	(1,041)	(9,344)	(24,167)	(34,942)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(14,310)	(9,337)	(10,589)	(7,955)	(10,955)	(10,955)	(1,041)	(9,344)	(24,167)	(34,942)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans					31					-	-	-
Borrowing long term/refinancing										-	-	-
Increase (decrease) in consumer deposits			(130)	(14)	116					-	-	-
Payments												
Repayment of borrowing			(144)	(83)	(148)	(305)	(305)	(305)	(206)	(305)	(305)	(305)
NET CASH FROM/(USED) FINANCING ACTIVITIES			(274)	(98)	-	(305)	(305)	(305)	(206)	(305)	(305)	(305)
NET INCREASE/ (DECREASE) IN CASH HELD			(1,631)	2,491	298	50	50	50	2,569	195	210	1,106
Cash/cash equivalents at the year begin:		2	2,290	658	(2,194)	2,780	2,780	2,780	2,319	2,780	2,975	3,184
Cash/cash equivalents at the year end:		2	658	3,149	(1,896)	2,830	2,830	2,830	4,888	2,975	3,184	4,290

The above table shows that cash and cash equivalents of the KHM are largely depleted

#### 1.12.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?



A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 25 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation**

NC066 Karoo Hoogland - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	658	3,149	(1,896)	2,830	2,830	2,830	4,888	2,975	3,184	4,290
Other current investments > 90 days		-	-	4,814	(50)	(50)	(50)	(9,041)	(1,725)	(1,856)	(2,884)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>658</b>	<b>3,149</b>	<b>2,918</b>	<b>2,780</b>	<b>2,780</b>	<b>2,780</b>	<b>(4,153)</b>	<b>1,250</b>	<b>1,328</b>	<b>1,406</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	5,311	(2,161)	108	72	72	401	(1,439)	(3,765)	(3,969)	(4,200)
Other provisions		-	-	-	24	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>5,311</b>	<b>(2,161)</b>	<b>108</b>	<b>96</b>	<b>72</b>	<b>401</b>	<b>(1,439)</b>	<b>(3,765)</b>	<b>(3,969)</b>	<b>(4,200)</b>
<b>Surplus(shortfall)</b>		<b>(4,653)</b>	<b>5,310</b>	<b>2,811</b>	<b>2,684</b>	<b>2,708</b>	<b>2,379</b>	<b>(2,714)</b>	<b>5,015</b>	<b>5,297</b>	<b>5,606</b>

It can be concluded that the KHM has a deficit against the cash backed and accumulated surpluses reconciliation. The municipality has essentially depleted all cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the KHM. As part of the planning strategy, this deficit needs to be aggressively managed downwards and as part of the medium term planning objectives. It needs to be noted that for all practical purposes the 2016 / 2017 MTREF is funded when considering the funding requirements of section 18 and 19 of the MFMA. The 2016 / 2017 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. The challenge for the KHM will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

### 1.12.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 26 MBRR SA10 – Funding compliance measurement**

Free Services												
Free Basic Services as a % of Equitable Share		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	46.3%	45.6%	44.9%	
Free Services as a % of Operating Revenue (excl operational transfers)		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%	2.3%	2.3%	
High Level Outcome of Funding Compliance												
Total Operating Revenue		34,242	36,384	39,580	47,974	47,974	49,220	–	51,695	53,878	58,264	
Total Operating Expenditure		51,263	47,778	56,142	47,924	47,924	44,680	–	51,635	53,825	57,648	
Surplus/(Deficit) Budgeted Operating Statement		(17,020)	(11,394)	(16,562)	50	50	4,539	–	59	53	616	
Surplus/(Deficit) Considering Reserves and Cash Backing		(4,653)	5,310	2,811	2,684	2,708	2,379	(2,714)	5,015	5,297	5,606	
MTREF Funded (1) / Unfunded (0)	15	0	1	1	1	1	1	0	1	1	1	
MTREF Funded ✓ / Unfunded ✗	15	✗	✓	✓	✓	✓	✓	✗	✓	✓	✓	

#### 1.12.5.1 Cash/cash equivalent position

The KHM's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year.

#### 1.12.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### 1.12.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the KHM to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts.

#### *1.12.5.4 Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *1.12.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

#### *1.12.5.6 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 65, 65.3 and 65.6 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 83 per cent performance target, the cash flow statement has been overstated. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *1.12.5.7 Debt impairment expense as a percentage of billable revenue*

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision is considered to be insufficient.

#### *1.12.5.8 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *1.12.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

*1.12.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The KHM has budgeted for all transfers.

*1.12.5.11 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the KHM's policy of settling debtors accounts within 30 days.

*1.12.5.12 Repairs and maintenance expenditure level*

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the KHM's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

*1.12.5.13 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

## 1.13 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

**Table 27 MBRR SA19 - Expenditure on transfers and grant programmes**

NC066 Karoo Hoogland - Supporting Table SA19 Expenditure on transfers and grant programme

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
National Government:		-	16,438	17,403	19,542	19,542	19,542	19,503	19,876	22,258
Local Government Equitable Share			13,898	14,669	15,812	15,812	15,812	16,678	17,976	19,342
Finance Management			1,650	1,800	1,800	1,800	1,800	1,825	1,900	2,155
Municipal Systems Improvement			890	934	930	930	930	-	-	761
EPWP Incentive					1,000	1,000	1,000	1,000	-	-
<b>RBIG</b>										
Provincial Government:		-	-	715	1,713	1,713	1,713	1,743	1,851	1,960
Library Grant				715	1,713	1,713	1,713	1,743	1,851	1,960
District Municipality:		-	-	-	-	-	-	-	-	-
<i>Pula Nala</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total operating expenditure of Transfers and Grants</b>		-	16,438	18,118	21,255	21,255	21,255	21,246	21,727	24,218
<b>Capital expenditure of Transfers and Grants</b>										
National Government:		-	11,805	10,490	8,005	10,005	10,005	7,744	24,167	34,942
Municipal Infrastructure Grant (MIG)			10,805	8,890	8,005	8,005	8,005	7,744	8,167	8,363
Municipal Infrastructure Grant (MIG)			1,000	1,000						
Regional Bulk Infrastructure				600		2,000	2,000		16,000	26,579
<b>Other capital transfers/grants [insert desc]</b>										
Provincial Government:		-	-	-	-	-	-	1,600	-	-
INEP								1,600	-	-
District Municipality:		-	-	-	-	1,000	1,000	-	-	-
<i>Pula Nala</i>						1,000	1,000			
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
<b>Total capital expenditure of Transfers and Grants</b>		-	11,805	10,490	8,005	11,005	11,005	9,344	24,167	34,942
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	28,243	28,608	29,260	32,260	32,260	30,590	45,894	59,160

**Table 28 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

NC066 Karoo Hoogland - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
<b>Operating transfers and grants:</b>	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		15,973	17,510	18,496	19,542	19,542	19,542	19,503	19,876	22,258
Conditions met - transferred to revenue		15,973	17,510	18,496	19,542	19,542	19,542	19,503	19,876	22,258
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts					1,713	1,713	1,713	1,743	1,851	1,960
Conditions met - transferred to revenue		-	-	-	1,713	1,713	1,713	1,743	1,851	1,960
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		15,973	17,510	18,496	21,255	21,255	21,255	21,246	21,727	24,218
<b>Total operating transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>Capital transfers and grants:</b>	1,3									
National Government:										
Balance unspent at beginning of the year										
Current year receipts		14,310	10,267	10,531	8,005	11,005	11,005	7,744	24,167	34,942
Conditions met - transferred to revenue		14,310	10,267	10,531	8,005	11,005	11,005	7,744	24,167	34,942
Conditions still to be met - transferred to liabilities										
Provincial Government:										
Balance unspent at beginning of the year										
Current year receipts								1,600		
Conditions met - transferred to revenue		-	-	-	-	-	-	1,600	-	-
Conditions still to be met - transferred to liabilities										
District Municipality:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
Other grant providers:										
Balance unspent at beginning of the year										
Current year receipts										
Conditions met - transferred to revenue		-	-	-	-	-	-	-	-	-
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		14,310	10,267	10,531	8,005	11,005	11,005	9,344	24,167	34,942
<b>Total capital transfers and grants - CTBM</b>	2	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		30,283	27,777	29,027	29,260	32,260	32,260	30,590	45,894	59,160
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		-	-	-	-	-	-	-	-	-

## 1.14 COUNCILLOR AND EMPLOYEE BENEFITS

**Table 29 MBRR SA22 - Summary of councillor and staff benefits**

NC066 Karoo Hoogland - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages			1,518	1,809	1,834	1,934	1,934	2,130	2,263	2,396
Pension and UIF Contributions			25	18						
Medical Aid Contributions										
Motor Vehicle Allowance										
Cellphone Allowance					146	146	146	157	167	177
Housing Allowances										
Other benefits and allowances			337	146	105	105	105	113	120	127
<b>Sub Total - Councillors</b>		-	1,880	1,973	2,085	2,185	2,185	2,400	2,550	2,700
% increase	4		-	4.9%	5.7%	4.8%	-	9.8%	6.2%	5.9%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages			3,803	3,600	2,325	2,325	2,325	2,798	2,971	3,147
Pension and UIF Contributions			85	82	-	-	-			
Medical Aid Contributions										
Overtime										
Performance Bonus			317	296	-	-	-			
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		-	4,205	3,978	2,325	2,325	2,325	2,798	2,971	3,147
% increase	4		-	(5.4%)	(41.6%)	-	-	20.3%	6.2%	5.9%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages			15,377	13,323	12,411	12,311	12,311	13,102	13,924	14,782
Pension and UIF Contributions				829	825	825	825	888	943	999
Medical Aid Contributions				312	296	296	296	318	338	358
Overtime				146	152	152	152	164	174	184
Performance Bonus			1,138	963	1,005	1,005	1,005	1,082	1,149	1,217
Motor Vehicle Allowance	3				-	-	-	-	-	-
Cellphone Allowance	3				-	-	-	-	-	-
Housing Allowances	3			8	8	8	8	9	10	10
Other benefits and allowances	3		1,724	339	329	329	329	354	376	398
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Other Municipal Staff</b>		-	18,239	15,920	15,027	14,927	14,927	15,918	16,914	17,948
% increase	4		-	(12.7%)	(5.6%)	(0.7%)	-	6.6%	6.3%	6.1%
<b>Total Parent Municipality</b>		-	24,324	21,871	19,437	19,437	19,437	21,116	22,435	23,795

**Table 30 MBRR SA24 – Summary of personnel numbers**

NC066 Karoo Hoogland - Supporting Table SA24 Summary of personnel numbers

Summary of Personnel Numbers Number	Ref	2014/15			Current Year 2015/16			Budget Year 2016/17		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities										
Councillors (Political Office Bearers plus Other Councillors)		7		7	7	7		7	7	–
Board Members of municipal entities	4									
Municipal employees	5									
Municipal Manager and Senior Managers	3	2		2	2	2		3	1	2
Other Managers	7	3	3							
Professionals		–	–	–	–	–	–	–	–	–
Finance										
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Technicians		5	5	–	5	5	–	5	5	–
Finance		5	5		5	5		5	5	–
Spatial/town planning										
Information Technology										
Roads										
Electricity										
Water										
Sanitation										
Refuse										
Other										
Clerks (Clerical and administrative)		12	12		12	12		12	12	–
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		6	6		5	5		5	5	–
Elementary Occupations		60	60		58	58		58	58	–
<b>TOTAL PERSONNEL NUMBERS</b>	9	95	86	9	89	89	–	90	88	2



# 1.15 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

## Table 31 MBRR SA25 - Budgeted monthly revenue and expenditure

NC066 Karoo Hoogland - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description		Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework			
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
Revenue By Source																		
Property rates			525	525	525	525	525	525	525	525	525	525	525	525	6,302	6,693	7,088	
Property rates - penalties & collection charges			21	21	21	21	21	21	21	21	21	21	21	20	249	265	280	
Service charges - electricity revenue			1,028	1,008	988	968	928	888	868	848	828	928	928	911	11,114	11,821	12,517	
Service charges - water revenue			290	290	290	290	290	290	290	290	290	290	290	290	3,480	3,696	3,914	
Service charges - sanitation revenue			314	314	314	314	314	314	314	314	314	314	314	314	3,773	4,007	4,243	
Service charges - refuse revenue			247	247	247	247	247	247	247	247	247	247	247	247	2,962	3,145	3,331	
Service charges - other			1	1	1	1	1	1	1	1	1	1	1	4	12	12	13	
Rental of facilities and equipment			42	42	42	42	42	42	42	42	42	42	42	42	507	536	568	
Interest earned - external investments			19	19	19	19	19	19	19	19	19	19	19	22	231	242	257	
Interest earned - outstanding debtors			71	71	71	71	71	71	71	71	71	71	71	71	856	862	912	
Dividends received			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines			0	0	0	0	0	0	0	0	0	0	0	0	5	5	5	
Licences and permits			2	2	2	2	2	2	2	2	2	2	2	4	24	25	27	
Agency services			22	22	22	22	22	22	22	22	22	22	22	16	261	280	297	
Transfers recognised - operational			10,647	-	-	-	5,560	-	-	-	5,040	-	-	-	21,246	21,727	24,218	
Other revenue			44	44	44	44	44	44	44	44	44	44	44	44	523	562	594	
Gains on disposal of PPE			-	150	-	-	-	-	-	-	-	-	-	-	150	-	-	
Total Revenue (excluding capital transfers and contributions)			13,273	2,756	2,586	2,566	8,086	2,486	2,466	2,446	7,466	2,526	2,526	2,510	51,695	53,878	58,264	
Expenditure By Type																		
Employee related costs			1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,586	18,716	19,885	21,095	
Remuneration of councillors			200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,550	2,700	
Debt impairment			210	210	210	210	210	210	210	210	210	210	210	210	2,514	2,695	3,078	
Depreciation & asset impairment			-	-	-	-	-	-	-	-	-	-	-	400	400	425	450	
Finance charges			65	65	65	65	65	65	65	65	65	65	65	65	776	753	730	
Bulk purchases			750	730	710	710	700	690	770	650	630	690	690	685	8,405	8,927	9,171	
Other materials			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contracted services			99	99	99	99	99	99	99	99	99	99	99	99	1,185	1,259	1,336	
Transfers and grants			380	380	380	380	380	380	380	380	380	380	380	380	4,556	4,840	5,128	
Other expenditure			1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	12,684	12,492	13,961		
Loss on disposal of PPE			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Expenditure			4,317	4,297	4,277	4,277	4,267	4,257	4,337	4,217	4,197	4,257	4,257	4,680	51,635	53,825	57,648	
Surplus/(Deficit)			8,956	(1,541)	(1,691)	(1,711)	3,819	(1,771)	(1,871)	(1,771)	3,269	(1,731)	(1,731)	(2,170)	59	53	616	
Transfers recognised - capital			9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942	
Contributions recognised - capital			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributed assets			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions			18,300	(1,541)	(1,691)	(1,711)	3,819	(1,771)	(1,871)	(1,771)	3,269	(1,731)	(1,731)	(2,170)	9,403	24,220	35,558	
Taxation			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Attributable to minorities			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)			1	18,300	(1,541)	(1,691)	(1,711)	3,819	(1,771)	(1,871)	(1,771)	3,269	(1,731)	(1,731)	(2,170)	9,403	24,220	35,558

**Table 32 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

NC066 Karoo Hoogland - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)

Description		Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue by Vote</b>																	
Council			131	131	131	131	131	131	131	131	131	131	131	130	1,570	1,647	1,729
Finance			204	204	204	204	204	204	204	204	204	204	204	200	2,445	2,564	3,619
Rates			1,074	1,074	1,124	524	524	524	524	524	524	524	524	497	7,963	8,483	9,014
Municipal Manager			10	10	10	10	10	10	10	10	10	10	10	9	117	124	131
Refuse			583	583	583	583	583	583	583	583	583	583	583	584	6,997	7,500	8,022
Libraries			146	146	146	146	146	146	146	146	146	146	146	146	1,751	1,858	1,968
Commonage			26	26	26	26	26	26	26	26	26	26	26	32	322	342	362
Townhall & Buildings			28	28	28	28	28	28	28	28	28	28	28	27	332	351	372
Cemeteries			1	1	1	1	1	1	1	1	1	1	1	1	12	12	13
Parks trees and recreation			2	2	2	2	2	2	2	2	2	2	2	1,163	1,186	1,252	8,001
Health			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Streets and Public Works			97	97	97	97	97	97	97	97	97	97	97	96	1,161	12	13
Electricity			1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	2,652	15,494	14,823	15,752
Water			609	609	609	609	609	609	609	609	609	609	609	7,192	13,892	30,724	35,285
Sanitation			650	650	650	650	650	650	650	650	650	650	650	650	7,799	8,353	8,926
Total Revenue by Vote			4,728	4,728	4,778	4,178	4,178	4,178	4,178	4,178	4,178	4,178	4,178	13,379	61,039	78,045	93,206
<b>Expenditure by Vote to be appropriated</b>																	
Council			253	253	253	253	253	253	253	253	253	253	253	253	3,036	3,176	3,308
Finance			907	907	907	907	907	907	907	907	907	907	907	907	10,890	11,576	12,419
Rates			108	108	108	108	108	108	108	108	108	108	108	108	1,299	1,594	2,379
Municipal Manager			481	481	481	481	481	481	481	481	481	481	481	481	5,775	6,069	6,423
Refuse			307	307	307	307	307	307	307	307	307	307	307	307	3,681	3,893	4,203
Libraries			146	146	146	146	146	146	146	146	146	146	146	146	1,751	1,858	1,968
Commonage			4	4	4	4	4	4	4	4	4	4	4	4	50	53	56
Townhall & Buildings			31	31	31	31	31	31	31	31	31	31	31	31	378	401	427
Cemeteries			1	1	1	1	1	1	1	1	1	1	1	1	7	7	8
Parks trees and recreation			69	69	69	69	69	69	69	69	69	69	69	69	827	879	929
Health			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Streets and Public Works			264	264	264	264	264	264	264	264	264	264	264	264	3,169	2,294	2,423
Electricity			974	974	974	974	974	974	974	974	974	974	974	974	11,688	12,398	12,934
Water			315	315	315	315	315	315	315	315	315	315	315	315	3,782	4,018	4,254
Sanitation			442	442	442	442	442	442	442	442	442	442	442	442	5,303	5,608	5,916
Total Expenditure by Vote			4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	51,635	53,825	57,648
<b>Surplus/(Deficit) before assoc.</b>			425	425	475	(125)	(125)	(125)	(125)	(125)	(125)	(125)	(125)	9,076	9,403	24,220	35,558
Taxation														-	-	-	-
Attributable to minorities														-	-	-	-
Share of surplus/ (deficit) of associate														-	-	-	-
<b>Surplus/(Deficit)</b>			1	425	425	475	(125)	(125)	(125)	(125)	(125)	(125)	(125)	9,076	9,403	24,220	35,558

**Table 33 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

NC066 Karoo Hoogland - Supporting Table SA27 Budgeted monthly revenue and expenditure (standard classification)

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>																
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	1,035	12,416	13,159	14,854
Executive and council		141	141	141	141	141	141	141	141	141	141	141	141	1,686	1,771	1,860
Budget and treasury office		867	867	867	867	867	867	867	867	867	867	867	867	10,408	11,047	12,633
Corporate services		27	27	27	27	27	27	27	27	27	27	27	27	322	342	362
<i>Community and public safety</i>		273	273	273	273	273	273	273	273	273	273	273	273	3,281	3,473	10,354
Community and social services		175	175	175	175	175	175	175	175	175	175	175	175	2,095	2,222	2,353
Sport and recreation		99	99	99	99	99	99	99	99	99	99	99	99	1,186	1,252	8,001
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		97	97	97	97	97	97	97	97	97	97	97	97	1,161	12	13
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		97	97	97	97	97	97	97	97	97	97	97	97	1,161	12	13
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	3,682	44,181	61,400	67,985
Electricity		1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	1,291	15,494	14,823	15,752
Water		1,158	1,158	1,158	1,158	1,158	1,158	1,158	1,158	1,158	1,158	1,158	1,158	13,892	30,724	35,285
Waste water management		650	650	650	650	650	650	650	650	650	650	650	650	7,799	8,353	8,926
Waste management		583	583	583	583	583	583	583	583	583	583	583	583	6,997	7,500	8,022
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>		5,087	5,087	5,087	5,087	5,087	5,087	5,087	5,087	5,087	5,087	5,087	5,087	61,039	78,045	93,206
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	21,050	22,469	24,586
Executive and council		734	734	734	734	734	734	734	734	734	734	734	734	8,811	9,246	9,731
Budget and treasury office		1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	1,016	12,189	13,170	14,798
Corporate services		4	4	4	4	4	4	4	4	4	4	4	4	50	53	56
<i>Community and public safety</i>		247	247	247	247	247	247	247	247	247	247	247	247	2,963	3,146	3,332
Community and social services		178	178	178	178	178	178	178	178	178	178	178	178	2,136	2,267	2,403
Sport and recreation		69	69	69	69	69	69	69	69	69	69	69	69	827	879	929
Public safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		264	264	264	264	264	264	264	264	264	264	264	264	3,169	2,294	2,423
Planning and development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport		264	264	264	264	264	264	264	264	264	264	264	264	3,169	2,294	2,423
Environmental protection		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	2,038	24,453	25,916	27,307
Electricity		974	974	974	974	974	974	974	974	974	974	974	974	11,688	12,398	12,934
Water		315	315	315	315	315	315	315	315	315	315	315	315	3,782	4,018	4,254
Waste water management		442	442	442	442	442	442	442	442	442	442	442	442	5,303	5,608	5,916
Waste management		307	307	307	307	307	307	307	307	307	307	307	307	3,681	3,893	4,203
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>		4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	4,303	51,635	53,825	57,648
<b>Surplus/(Deficit) before assoc.</b>		784	784	784	784	784	784	784	784	784	784	784	784	9,403	24,220	35,558
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	1	784	784	784	784	784	784	784	784	784	784	784	784	9,403	24,220	35,558

**Table 34 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

NC066 Karoo Hoogland - Supporting Table SA28 Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Multi-year expenditure to be appropriated</b>	1															
Council													-	-	-	-
Finance													-	-	-	-
Rates													-	-	-	-
Municipal Manager													-	-	-	-
Refuse													-	-	-	-
Libraries													-	-	-	-
Commonage													-	-	-	-
Townhall & Buildings													-	-	-	-
Cemeteries													-	-	-	-
Parks trees and recreation													-	-	-	-
Health													-	-	-	-
Streets and Public Works													-	-	-	-
Electricity													-	-	-	-
Water													-	-	-	-
Sanitation													-	-	-	-
Capital multi-year expenditure sub-total	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>																
Council													-	-	-	-
Finance													-	-	-	-
Rates													-	-	-	-
Municipal Manager													-	-	-	-
Refuse													-	-	-	-
Libraries													-	-	-	-
Commonage													-	-	-	-
Townhall & Buildings													-	-	-	-
Cemeteries													-	-	-	-
Parks trees and recreation		97	97	97	97	97	97	97	97	97	97	97	96	1,162	1,225	7,973
Health													-	-	-	-
Streets and Public Works													-	-	-	-
Electricity		133	133	133	133	133	133	133	133	133	133	133	133	1,600	-	-
Water		549	549	549	549	549	549	549	549	549	549	549	549	6,582	22,942	26,969
Sanitation													-	-	-	-
Capital single-year expenditure sub-total	2	779	779	779	779	779	779	779	779	779	779	779	779	9,344	24,167	34,942
<b>Total Capital Expenditure</b>	2	779	779	779	779	779	779	779	779	779	779	779	779	9,344	24,167	34,942

**Table 35 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

NC066 Karoo Hoogland - Supporting Table SA29 Budgeted monthly capital expenditure (standard classification)

Description R thousand	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital Expenditure - Standard</b>	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Governance and administration</i>																
Executive and council														-	-	-
Budget and treasury office														-	-	-
Corporate services														-	-	-
<i>Community and public safety</i>		97	97	97	97	97	97	97	97	97	97	97	96	1,162	1,225	7,973
Community and social services														-	-	-
Sport and recreation		97	97	97	97	97	97	97	97	97	97	97	96	1,162	1,225	7,973
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and development														-	-	-
Road transport														-	-	-
Environmental protection														-	-	-
<i>Trading services</i>		682	682	682	682	682	682	682	682	682	682	682	682	8,182	22,942	26,969
Electricity		133	133	133	133	133	133	133	133	133	133	133	133	1,600	-	-
Water		549	549	549	549	549	549	549	549	549	549	549	549	6,582	22,942	26,969
Waste water management														-	-	-
Waste management														-	-	-
<i>Other</i>														-	-	-
<b>Total Capital Expenditure - Standard</b>	2	779	779	779	779	779	779	779	779	779	779	779	779	9,344	24,167	34,942
<b>Funded by:</b>																
National Government		9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942
Provincial Government														-	-	-
District Municipality														-	-	-
Other transfers and grants														-	-	-
Transfers recognised - capital		9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942
Public contributions & donations														-	-	-
Borrowing														-	-	-
Internally generated funds														-	-	-
<b>Total Capital Funding</b>		9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942

Table 36 MBRR SA30 - Budgeted monthly cash flow

NC066 Karoo Hoogland - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash Receipts By Source</b>													1		
Property rates	536	536	536	536	536	536	536	536	536	536	536	536	6,428	6,736	7,133
Property rates - penalties & collection charges	21	21	21	21	21	21	21	21	21	21	21	21	250	266	281
Service charges - electricity revenue	1,028	1,008	988	968	928	888	868	848	828	928	928	928	11,130	11,821	12,517
Service charges - water revenue	260	260	260	260	260	260	260	260	260	260	260	260	3,120	3,313	3,500
Service charges - sanitation revenue	297	297	297	297	297	297	297	297	297	297	297	297	3,559	3,779	4,001
Service charges - refuse revenue	249	249	249	249	249	249	249	249	249	249	249	249	2,991	3,176	3,363
Service charges - other	1	1	1	1	1	1	1	1	1	1	1	1	9	9	10
Rental of facilities and equipment	45	45	45	45	45	45	45	45	45	45	45	45	537	568	601
Interest earned - external investments	19	19	19	19	19	19	19	19	19	19	19	19	228	242	257
Interest earned - outstanding debtors	61	61	61	61	61	61	61	61	61	61	61	61	733	777	821
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	0	0	0	0	0	0	0	0	0	0	0	0	5	5	5
Licences and permits	2	2	2	2	2	2	2	2	2	2	2	2	22	23	25
Agency services	22	22	22	22	22	22	22	22	22	22	22	22	268	285	301
Transfer receipts - operational	10,647	-	-	-	5,560	-	-	-	5,040	-	-	-	21,246	21,727	24,218
Other revenue	48	48	48	48	48	48	48	48	48	48	48	48	574	609	645
<b>Cash Receipts by Source</b>	13,234	2,568	2,548	2,528	8,048	2,448	2,428	2,408	7,427	2,488	2,488	2,488	51,099	53,335	57,678
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	22,578	2,568	2,548	2,528	8,048	2,448	2,428	2,408	7,427	2,488	2,488	2,488	60,443	77,502	92,620
<b>Cash Payments by Type</b>															
Employee related costs	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	1,557	18,687	19,856	21,066
Remuneration of councillors	200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,550	2,700
Finance charges	25	25	25	25	25	25	25	25	25	25	25	25	305	305	305
Bulk purchases - Electricity	750	730	710	700	690	680	670	650	630	690	690	690	8,280	8,794	9,313
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	237	237	237	237	237	237	237	237	237	237	237	237	2,845	3,159	3,491
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	405	405	405	405	405	405	405	405	405	405	405	405	4,865	5,165	5,471
Other expenditure	873	873	873	873	873	873	873	873	873	873	873	3,616	13,218	12,991	13,922
<b>Cash Payments by Type</b>	4,048	4,028	4,008	3,998	3,988	3,978	3,968	3,948	3,928	3,988	3,988	6,731	50,599	52,820	56,267
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	9,344	-	-	-	-	-	-	-	-	-	-	-	9,344	24,167	34,942
Repayment of borrowing	25	25	25	25	25	25	25	25	25	25	25	25	305	305	305
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	13,417	4,053	4,033	4,023	4,013	4,003	3,993	3,973	3,953	4,013	4,013	6,757	60,248	77,292	91,514
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	9,161	(1,486)	(1,486)	(1,496)	4,034	(1,556)	(1,566)	(1,566)	3,474	(1,526)	(1,526)	(4,269)	195	210	1,106
Cash/cash equivalents at the month/year begin:	2,780	11,941	10,455	8,969	7,474	11,508	9,952	8,387	6,821	10,295	8,769	7,244	2,780	2,975	3,184
Cash/cash equivalents at the month/year end:	11,941	10,455	8,969	7,474	11,508	9,952	8,387	6,821	10,295	8,769	7,244	2,975	2,975	3,184	4,290

## **1.16 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS**

### **1.17 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

In terms of the KHM's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **1.18 CAPITAL EXPENDITURE DETAILS**

The following three tables present details of the KHM's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

**Table 37 MBRR SA 34a - Capital expenditure on new assets by asset**

NC066 Karoo Hoogland - Supporting Table SA34a Capital expenditure on new assets by asset class

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		14,272	10,267	10,531	8,005	11,005	11,005	8,182	24,167	34,942
Infrastructure - Road transport		-	-	8,721	4,111	5,111	5,111	-	-	-
Roads, Pavements & Bridges		-	-	8,721	4,111	5,111	5,111	-	-	-
Storm water		-	-	8,721	4,111	5,111	5,111	-	-	-
Infrastructure - Electricity		3,276	3,328	-	-	-	-	1,600	1,225	7,973
Generation		3,276	3,328	-	-	-	-	1,600	1,225	7,973
Transmission & Reticulation		3,276	3,328	-	-	-	-	1,600	1,225	7,973
Street Lighting		3,276	3,328	-	-	-	-	1,600	1,225	7,973
Infrastructure - Water		10,996	4,978	933	3,894	5,894	5,894	6,582	22,942	26,969
Dams & Reservoirs		10,996	4,978	933	3,894	5,894	5,894	6,582	22,942	26,969
Water purification		10,996	4,978	933	3,894	5,894	5,894	6,582	22,942	26,969
Reticulation		10,996	4,978	933	3,894	5,894	5,894	6,582	22,942	26,969
Infrastructure - Sanitation		-	1,961	876	-	-	-	-	-	-
Reticulation		-	1,961	876	-	-	-	-	-	-
Sewerage purification		-	1,961	876	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Waste Management		-	-	-	-	-	-	-	-	-
Transportation	2	-	-	-	-	-	-	-	-	-
Gas	3	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Community</b>		-	-	-	-	-	-	1,162	-	-
Parks & gardens		-	-	-	-	-	-	1,162	-	-
Sportsfields & stadia		-	-	-	-	-	-	1,162	-	-
Swimming pools		-	-	-	-	-	-	1,162	-	-
Community halls		-	-	-	-	-	-	1,162	-	-
Libraries		-	-	-	-	-	-	1,162	-	-
Recreational facilities		-	-	-	-	-	-	1,162	-	-
Fire, safety & emergency		-	-	-	-	-	-	1,162	-	-
Security and policing		-	-	-	-	-	-	1,162	-	-
Buses	7	-	-	-	-	-	-	1,162	-	-
Clinics		-	-	-	-	-	-	1,162	-	-
Museums & Art Galleries		-	-	-	-	-	-	1,162	-	-
Cemeteries		-	-	-	-	-	-	1,162	-	-
Social rental housing	8	-	-	-	-	-	-	1,162	-	-
Other		-	-	-	-	-	-	1,162	-	-
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings		-	-	-	-	-	-	-	-	-
Other	9	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
<b>Other assets</b>		38	12	-	-	-	-	-	-	-
General vehicles		38	12	-	-	-	-	-	-	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		-	-	-	-	-	-	-	-	-
Furniture and other office equipment		-	-	-	-	-	-	-	-	-
Abattoirs		-	-	-	-	-	-	-	-	-
Markets		-	-	-	-	-	-	-	-	-
Civic Land and Buildings		-	-	-	-	-	-	-	-	-
Other Buildings		-	-	-	-	-	-	-	-	-
Other Land		-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)		-	-	-	-	-	-	-	-	-
Other		38	12	-	-	-	-	-	-	-
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
List sub-class		-	-	-	-	-	-	-	-	-
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming		-	-	-	-	-	-	-	-	-
Other (list sub-class)		-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure on new assets</b>	1	14,310	10,279	10,531	8,005	11,005	11,005	9,344	24,167	34,942



**Table 38 MBRR SA37 - Projects delayed from previous financial year**

All projects are multi year projects and no delays were experienced.

## 1.19 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis although sometimes late. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.
2. Internship programme  
The KHM is participating in the Municipal Financial Management Internship programme and has employed two interns undergoing training in various divisions of the Financial Services Department. Only two interns have been employed. The municipality did however re-advertise for the positions of another three interns.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
Currently there is no audit committee in place. The Municipality is however currently in negotiations with Hantam Local Municipality for a possible shared service.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016 / 2017 MTREF in April 2016 directly aligned and informed by the 2016 / 2017 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training  
No training has been done on MFMA due to limited resources.
8. Policies  
The Municipality is constantly developing new policies as the need arises. All budget related policies are in place and all policies are reviewed once a year and submitted to Council for approval.

## 1.20 OTHER SUPPORTING DOCUMENTS

**Table 39 MBRR SA32 – List of external mechanisms**

NC066 Karoo Hoogland - Supporting Table SA32 List of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
EDK	Yrs	3	Copiers	30 June 2016	378
Sebata	Yrs	1	Financial Management System	31 March 2017	515
Mass Insurance	Yrs	1	Insurance	30 June 2015	304
Nashua	Yrs	5	Copiers	30 June 2016	55

The Municipality do have the contracts from service providers for the rental of copiers, for the supply of the Financial Management System and for insurance.

**1.21 MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

I ....., municipal manager of Karoo Hoogland Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Karoo Hoogland Municipality (NC066)

Signature \_\_\_\_\_

Date \_\_\_\_\_